Collective Journey as Destination: Organizing for Corporate Social Responsibility and Fighting Corruption in Global Business

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Stefan Schembera
from Germany

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Prof. Dr. Andreas Georg Scherer
Prof. Dr. Andrea Schenker-Wicki

The Faculty of Economics, Business Administration and Information Technology of the University of Zurich hereby authorizes the printing of this dissertation, without indicating an opinion of the views expressed in the work.

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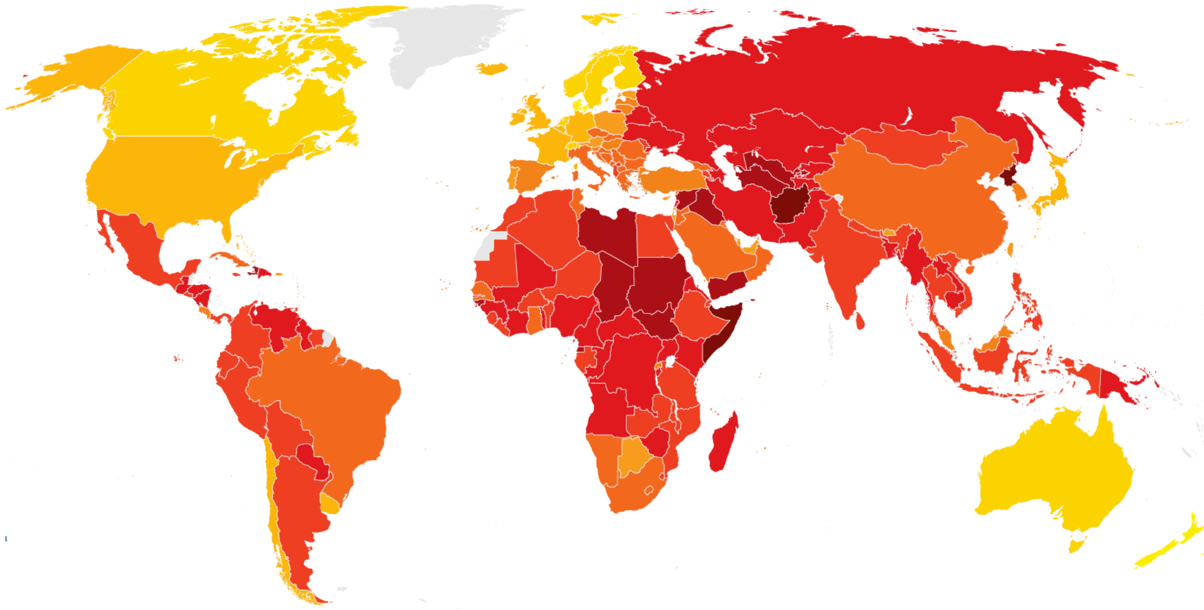
INTRODUCTION

In this dissertation I seek to explain how and why multinational corporations (MNCs) can organize for corporate social responsibility (CSR) and fight corruption in a complex global business environment. In particular, I explore the collective and dynamic patterns of implementing and creating meaning of CSR and anti-corruption processes in a heterogeneous global context involving multiple actors, expectations and interpretive schemes. In doing so, this work not only follows the recent call of organization scholars for more 'problem-driven' research (Davis & Marquis, 2005) but also acknowledges that "nothing is so practical as a good theory" (Van de Ven, 1989, p. 486) by advancing conceptual ideas on solutions for real-life problems. Throughout this dissertation, I will identify the need to regard the exact path and goals envisioned by central actors in this global socio-environmental context as not always fully determined from the beginning, but as being continuously developed and reconfigured over time through interactions and collaborations among the actors involved. Put differently, the journey itself of multiple actors with multiple interests collectively addressing socio-environmental issues becomes the destination. In the following I will briefly outline the general problem this dissertation addresses, before introducing the key theoretical concepts I aim to advance.

Problem. In the process of globalization, business firms have extended their operations across national borders, sourcing and selling goods and services with a global perspective (Beck & Camiller, 2000; Scherer & Palazzo, 2008). With the broadening of global exchange, the causes and effects of socio-environmental problems, such as corruption, human rights violations and global warming have also expanded transnationally. In today's globalized economy, the regulatory power of single states to address transnational social and environmental challenges is declining and has shifted to multiple actors including business firms and non-governmental organizations (NGOs) (Kobrin, 2001; Scherer & Palazzo, 2011;

Scherer, Palazzo, & Baumann, 2006). Particularly, various societal actors increasingly expect businesses to take on responsibilities for global socio-environmental problems (Campbell, 2007; Crane & Matten, 2004). Definitions of corporate social responsibility are manifold and controversially discussed among scholars (see e.g. Campbell, 2007; Carroll, 1979). I refer to CSR in this global context underlying my dissertation as a corporation's role to address transnational socio-environmental problems in spheres like protecting human rights, labor standards and the natural environment or fighting corruption (Matten & Crane, 2005; Scherer & Palazzo, 2007). While the first essay of this dissertation looks at CSR as a whole, the other two essays focus on corruption, which is defined as the "misuse of an organizational position or authority for personal gain or organizational (or sub-unit) gain" (Anand, Ashforth, & Joshi, 2004, p. 40).

Extant literature on CSR and anti-corruption (see e.g. Ashforth, Gioia, Robinson, & Treviño, 2008) seems to neglect that with the transnational expansion of business in the process of globalization, many corporations now operate in heterogeneous environments and are thus exposed to multiple and sometimes conflicting demands (Pache & Santos, 2010). On the one hand, MNCs face pressures toward a standardization of rules and processes as demanded by transnational regulations (e.g. US Foreign Corrupt Practices Act (FCPA)) and a variety of international institutions (e.g. International Organization for Standardization (ISO), Global Reporting Initiative (GRI)) (Gilbert, Rasche, & Waddock, 2011; Waddock, 2008). On the other hand, MNCs operate in a diversity of local contexts whose distinct regulative and cultural influences interfere with global standardization trends (Pache & Santos, 2010; Scherer, Palazzo, & Seidl, 2013). As I will outline in essays two and three, MNCs from Western developed countries face pressures especially from Western regulators and standard setters to globally apply strict anti-corruption measures, yet operate in host countries where there is a strong demand for engagement in corrupt practices and only weak or no enforcement of anti-corruption sanctions (Quah, 2007; TI, 2012). The world's most comprehensive and popular index on perceived corruption across the world, annually released by the international NGO Transparency International (TI), best illustrates the heterogeneous corruption demands MNCs face. In this map, the darker a country is colored, the higher is the perceived level of corruption in the public sector in this country.



Source: Corruption Perception Index 2013[1], Transparency International

Theory. To develop explanations for how and why MNCs can organize for CSR and fight corruption in such a heterogeneous environment, this dissertation mainly builds on and contributes to institutional theoretic perspectives applied in the CSR or corruption literatures. Institutional theory proves helpful for this dissertation as it has a strong and recent focus on complexity in an organization's environment (e.g. Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Kostova & Zaheer, 1999; Scherer et al., 2013), providing a wide range of

[1]The Corruption Perception Index (CPI) is a composite indicator of perceived corruption in the public sector in different countries around the world. It aggregates corruption-related data from 13 different independent and well known institutions such as the World Bank, the African Development Bank, the Economist Intelligence Unit and others. According to a recent independent assessment, the CPI may be more reliable than each of its sources taken separately (Saisana & Saltelli, 2012).

perspectives on how organizations can respond to contradictory demands and manage trade-offs imposed by various actors. In the context of complex environments involving multiple actors and contradictory interests, maintaining organizational legitimacy becomes a key challenge and concern for MNCs. Legitimacy can be defined as the social acceptance of organizations and their activities, which is based on a "generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate" (Suchman, 1995, p. 574). Legitimacy constitutes a precondition for the existence and survival of organizations, considering that the access to resources and the support by important constituents may be severely threatened or even withheld in case of a lack of legitimacy (Ashforth & Gibbs, 1990). Institutional theorists therefore regard the quest for legitimacy as a key driver for organizations to respond to demands in their environment (Greenwood et al., 2011; Meyer & Rowan, 1977), and consequently discussed various strategies of managing legitimacy to deal with conflicting demands (Oliver, 1991; Scherer et al., 2013), which I will outline further down.

While research on maintaining legitimacy in complex environments is comprehensive, it remains so far largely unaddressed how organizations can regain legitimacy, e.g. after a severe transgression, in such complex environments. Insights on this matter are provided in the second paper and appear crucial considering that (1) increasing enforcement of Western transnational anti-corruption law has triggered a recent wave of corruption scandals across a wide range of Western MNCs (Gebhardt & Müller-Seitz, 2011; GibsonDunn, 2013), and (2) previous studies acknowledge that corporate transgressions, crises and routine failures lead to concerns about the organization's legitimacy (see Ashforth & Gibbs, 1990; Scherer et al., 2013).

Moreover, to maintain legitimacy when faced with contradictory demands, institutional theory literature has for a long time suggested an organizational response referred to as 'decoupling', i.e. the creation of a gap between formal policies and actual organizational practices (Meyer & Rowan, 1977). However, scholars recently observed a global trend toward accountability and transparency as well as increasing regulatory pressure (Bromley & Powell, 2012), as evident for example in increasing enforcement of anti-corruption regulation (GibsonDunn, 2013). As a result, organizations are pushed to align their policies and practices more closely, making 'decoupling' (of policies and practices) increasingly difficult and less common (Bromley & Powell, 2012; Coburn, 2004). At the same time, global business firms are more and more expected to help solving complex transnational societal problems (Brunsson, 1989), as they are increasingly regarded as corporate citizens endowed with interests and 'actorhood' (Bromley & Powell, 2012). In this context, scholars recently discussed whether remedying decoupling of policies and practices is an appropriate means to achieve envisaged societal ends (Bromley & Powell, 2012; Wijen, 2014). Referring to the causal complexity and opaque relationship between organizational practices and global socio-environmental ends, Wijen (2014) has even suggested a trade-off between strict compliance with formal policies as a means to achieve intended ends. In paper three, I outline why previous perspectives on decoupling may obscure a more comprehensive understanding of this phenomenon by not always fully acknowledging the role of dynamics, multiple geographic spaces, and challenges in clearly observing and defining notions such as 'compliance' with practices and the 'achievement' of societal goals.

This dissertation addresses these limitations and adds to the decoupling literature by focusing on a multi-spatial geographic context and treating decoupling as a purely dynamic phenomenon. In addition, paper three presents a social-constructionist perspective on decoupling by examining the role of communication and meaning creation (see e.g. Berger & Luckmann, 1967; Weick, 1995) among central actors in the anti-corruption field. Such an approach acknowledges that policies, practices and outcomes are not always objectively observable and clearly definable as suggested in objectivist views on decoupling.

Even more, this dissertation not only examines developments at single organizations, as done in the second paper, but in papers one and three also scrutinizes efforts of multiple actors to collectively solve global societal problems. Over the last decade, transnational governance schemes have emerged as a widespread phenomenon offering businesses means of addressing global societal issues together with governmental and non-governmental actors (Christmann & Taylor, 2006; Rasche, Waddock, & McIntosh, 2013; Scherer & Palazzo, 2011). The voluntary global CSR initiative United Nations Global Compact (UNGC) is the largest and arguably most prominent transnational governance schemes. While it has received intense academic attention, scholars often appear to be divided into two camps with regard to the legitimacy and accomplishments of such initiatives (see e.g. Berliner & Prakash, 2014; Rasche, 2009; Voegtlin & Pless, 2014). Proponents argue that knowledge exchange and stakeholder interactions can support good policy-making and business practice in weakly or non-regulated issue areas (Djelic & Sahlin-Andersson, 2006; Scherer et al., 2006) and thereby contribute to the emergence of new global institutions (Maguire & Hardy, 2006). Critics, however, highlight the lack of stringent enforcement mechanisms and state that "the UNGC has failed to induce its signatory companies to enhance their CSR efforts and integrate the 10 principles in their policies and operations" (Sethi & Schepers, 2014, p. 193) (see also Berliner & Prakash, 2014; Deva, 2006; Hemphill, 2005). Considering that a lack of impact would threaten the legitimacy of such initiatives and their participants alike, the first essay of this dissertation provides crucial empirical evidence based on a novel and theoretically informed assessment measure that helps shed light into this controversial debate. In the third essay I will then focus on the role of corporate actors in promoting collective efforts in the fight against corruption.

In this dissertation, I scrutinize and theorize ways of socio-environmental governance in a complex global context. All three papers address research questions that share one central matter: How and why can multinational corporations organize for CSR and fight corruption despite the heterogeneous and sometimes contradictory institutional expectations they face in multiple institutional environments?

The conclusion, which I will discuss in length further down, is that the exact path and goals envisioned by central actors in this process of global socio-environmental governance are not fully determined from the beginning, but are shaped and reconfigured over time through interactions and collaborations of corporate actors, state institutions and NGOs among others. Not only is the UNGC continuously adjusting its accountability structure and guidance for implementing its ten principles, also corporate actors change and reconfigure their CSR and anti-corruption processes and strategies as a result of close interaction and coordination with relevant actors in the field of socio-environmental governance. In other words, alluring to the title of this dissertation, *the collective journey of different actors seems to be the destination in the context of global socio-environmental governance*. I will discuss the two central aspects of this conclusion – (1) the role of progress and dynamics over time and (2) the role of collectively working toward the achievement of societal goals which are often re(de)fined along the way – in detail further down.

Confidence in the overall conclusions of this dissertation is bolstered by the fact that findings are derived from multiple approaches and levels of analysis, ranging from qualitative analyses on the micro and meso level to a comprehensive set of quantitative analyses on the meso and macro level. Qualitative and quantitative approaches have complementary strengths as the former allow for more exploratory, in-depth and dynamic insights while the latter allow for greater generalizability of the focal research and the testing of existing theory (see e.g. Corley, 2012; Eisenhardt, 1989). I consequently develop and test in my quantitative analysis hypotheses built around theoretical arguments stemming from a long established yet controversial debate on CSR implementation progresses and collaborations of participants in voluntary transnational initiatives. The qualitative analyses in this dissertation then focus on very recent phenomena that have not yet received sufficient theoretical explanations and thus demand for exploratory analyses aimed at developing theory. Further, this dissertation was not created in isolation; through more than 40 in-depth interviews across Europe and the Asia-Pacific and several presentations at leading international conferences propositions and conclusions have been discussed among academics and practitioners alike. In the remainder of this introduction, I first summarize each of the three essays. I then outline the central contributions of this dissertation as a whole before delineating avenues for future research.

SUMMARY OF THE THREE PAPERS

In the first paper, which is single-authored, I am interested in the implementation of CSR on a quantitative basis looking at the case of the UNGC. This research is mainly driven by the urgent need for empirical insights on the impact of transnational socio-environmental governance schemes (see e.g. calls by Berliner & Prakash, 2014). The UNGC encourages participants to commit to ten universal principles in the areas of human rights, labor standards, the environment and anti-corruption and, above all, aims to serve as a long-term CSR learning platform (Kell & Levin, 2003; Palazzo & Scherer, 2010; Rasche, 2009). Scholars have long criticized this initiative's lack of accountability mechanisms, suggesting that it fails to have any impact on organizational practices and instead invites participants to 'bluewash' their image by associating themselves with the (blue) UN flag (Knudsen, 2011, p. 334). Contrary to the 'bluewashing' arguments of UNGC critics, my results show that the initiative's learning and network structure has an impact on organizational practices even in the absence of strict and upfront accountability mechanisms: the duration of participation in the UNGC has a positive effect on the level of CSR implementation. This positive effect holds when looking at different time-period subsamples, for example by excluding companies that have joined the initiative in the first year as these might have been predominantly industry leaders (see Mwangi, Rieth, & Schmitz, 2013). Restricting the analysis on the period since the 2003 and

2005 refinements of the UNGC accountability structure, the first introducing an annual 'communication on progress' reporting policy and the latter introducing 'company delistings' (Mwangi et al., 2013), even displays considerably bigger participation duration effects. Moreover, the presence of strong local UNGC networks positively affects implementation, although its hypothesized mediating role between UNGC participation length and UNGC implementation level is very small. However, I found a significant positive relation between UNGC participation and the two largest strong local UNGC networks, Spain and France, contributing to recent arguments on the necessity for global CSR initiatives of achieving a 'critical mass' of participants to generate outcomes (Barkemeyer & Napolitano, 2009; Haack, Schoeneborn, & Wickert, 2012).

My findings on the UNGC participation duration and local network effect are supported by all types of analytical models applied in this paper ranging from ordered probit and ordered logit models that closely account for the ordinal character of the dependent variable (UNGC implementation level: learner, active, advanced) to linear regression analyses that treat the dependent variable as it was scaled continuously. Last but not least, I controlled for the possibility that these models may not fully take into account selection effects. Such effects are present if firms that participate longer in the UNGC have independent tendencies toward different characteristics in their social performance than firms that participate shorter or not at all (see Berliner & Prakash, 2014). To control for this potential selection effect, i.e. endogeneity of 'UNGC participation duration', I included an instrumental variable[2] in a set of further analytical models. I thereby isolated the exogenous component of UNGC participation duration, which yielded even bigger positive effects of UNGC participation duration on the level of UNGC implementation.

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[2]Building on theoretical arguments from institutional theory that firms tend to mirror the behavior of salient peer groups such as firms in the same industrial sector (DiMaggio & Powell, 1983), I chose the average duration of participation per sector of firms that have already left the UNGC. Looking only at former UNGC participants ensures that the instrumental variable pertains only to the actions of firms other than the reference firm.

I further outline how the UNGC has continuously refined its accountability structure and recently introduced a ‘Differentiation Programme’ to distinguish between UNGC implementation at three levels. At the lowest level of implementation (‘Learner’) participants do not address all of the four UNCG issue areas human rights, labor, environment and corruption. At the second level (‘Active’) all four issue areas need to be addressed in any way, whereas at the highest level (‘Advanced’) participants need to fulfill particular criteria in each of the four issue areas (UNGC, 2012b). My thorough scrutiny of this measure revealed that it closely corresponds with theoretically informed assessment models (Baumann-Pauly & Scherer, 2013). To gain greater confidence in the empirical validity of the UNGC implementation measure, I compared firm classifications according to the UNGC implementation measure with other long established and popular sustainability implementation measures such as the Dow Jones Sustainability World Index. The findings suggest that a higher classification according to the UNGC measure tends to correspond with a higher rating as assessed under the latter measure and hence increase our confidence in the empirical validity of the newly available UNGC measure. Finally, the study provides quantitative evidence on further factors that drive the level of UNGC implementation, most notably organizational-level factors such as firm size or public ownership and, to a minor extent, also macro-level factors such as country or industry.

On the basis of this first paper, I identify the need for the academic debate on transnational socio-environmental governance initiatives to incorporate and acknowledge for the role of time and dynamics, as well as the potential nested in collaboration among stakeholders. I thereby add to the so far mostly theoretical literature on socio-environmental governance and by providing first empirical evidence on the drivers of UNGC implementation based on a newly available measure – the UNGC implementation measures thoroughly scrutinized in my first dissertation paper – that may be of great use for future empirical CSR research. Focusing on CSR in general and providing first quantitative evidence on implementation and accountability progress over time, this first essay prepares the ground for the following two essays that look at one specific CSR issue, corruption, to explore in detail how and why implementation dynamics occur over time.

The second paper, a multiple longitudinal case study coauthored by Andreas Georg Scherer, focuses on the organizational dynamics once the legitimacy of MNCs is already lost or at least seriously threatened. It explores organizational strategies for regaining legitimacy after the disclosure of a corruption scandal at the case firms Siemens AG, Daimler AG and ABB Ltd. by conducting interviews and analyzing documents over a period of time. We refer to regaining legitimacy as a process of reintegration, i.e. repairing a transgressor's damaged relationships with key internal and external stakeholders (Goodstein, Butterfield, Pfarrer, & Wicks, 2014).

Indeed, the examined organizational behavior can be associated to a certain extent with legitimacy strategies identified in previous research: organizations may try to adapt to the expectations they are confronted with in their organizational environment ('isomorphic adaption') or they may engage in a variety of practices aimed at manipulating the perceptions of their most important social constituencies ('strategic manipulation') (Oliver, 1991). 'Decoupling' of policies and practices, as briefly introduced above, has been identified as one such form of manipulation (Boxenbaum & Jonsson, 2008; Meyer & Rowan, 1977; Scherer et al., 2013). Furthermore, particularly in situations where accepted standards of behavior are fragmented or unavailable (Teubner & Fischer-Lescano, 2004), organizations may engage in 'moral reasoning'. This strategy refers to the practice of openly communicating and arguing with focal stakeholders or societal groups about the acceptability of the organization's status quo and behavior where no party dominates from the beginning the process and the resolution to be found (Palazzo & Scherer, 2006; Scherer et al., 2013; Suchman, 1995).

However, we found distinct constellations of scandal and reintegration process characteristics forcing the organization to interact both instantly and substantially with key actors in its environment. This calls for a refinement of existing conceptualizations of legitimacy strategies. In particular, if all different types of organizational legitimacy (pragmatic, moral and cognitive, see: Suchman, 1995) are severely threatened at the same time, a situation which we refer to as a strong 'legitimacy shock', such radical responses appear likely. Siemens suffered a legitimacy shock when faced with unprecedented regulatory and social sanctions putting the organization right in the spotlight of societal evaluation. Decoupling was clearly no longer an option. In contrast, Siemens chose to over-fulfill the demands raised by various actors, i.e. the company was doing more than formal agreements for example with the US SEC or the Bavarian prosecutor's office required. Rather than merely reintegrating with its institutional environment, Siemens has created and now promotes a new benchmark in the anti-corruption field, which we summarize as a 'substantial influence' strategy and perceive as a form of strategic manipulation. We thereby add to the literature by distinguishing two extremes of strategic manipulation: decoupling on the one hand and substantial influence on the other.

In cases where such legitimacy shocks are lacking, companies have more time to react and hence rather choose an 'isomorphic adaptation' strategy to gradually adapt their organizational processes to regulatory expectations. These companies rely almost exclusively on participating in 'moral reasoning' activities to safeguard their new anti-corruption strategy. However, if change processes occur reluctantly after the disclosure of a big scandal, we found that externally imposed monitors may exercise severe pressure forcing the transgressor to eventually install a leading set of corruption controls. Our findings thereby further add to the literatures on reintegration and managing organizational corruption by highlighting the need to incorporate the role of a dynamic institutional environment (see section on contributions).

The third paper of this dissertation, coauthored by Patrick Haack and Andreas Georg Scherer, directly builds on the insights obtained in the second paper. The focus is now on how Western MNCs like Siemens as well as other actors in the anti-corruption field develop an understanding about compliance and achievement in the global fight against corruption. The analysis is driven by the quest to contribute to the organizational research on decoupling, which has recently suggested a trade-off between compliance and goal achievement. Underlying this reasoning is the assumption that in the complex and opaque context of socio-environmental governance practices, causality and outcomes are hard to understand and trace, so that enforcing compliance with rules and policies is unlikely to yield the results for which these rules and policies have been designed (Wijen, 2014).

This recently emerged stream of decoupling research advances our understanding of the challenges in socio-environmental governance. However, it does not sufficiently address that in the heterogeneous settings of global business multiple actors, interests and interpretive schemes are involved. Also incorporating the insights especially from the second dissertation paper, it appears possible that decoupling may rather be a transitory phenomenon. We therefore expect that in the complex context of socio-environmental governance notions of 'compliance' and 'achievement' are highly contested and further argue that the meaning and relationship of these notions is not fixed but negotiated within a dynamic and non-linear process of sensemaking (Haack & Schoeneborn, 2015; Weick, 1995). Sensemaking refers to a communicative process through which attitudes or interpretations can adjust during interaction and may thereby develop a shared subjectivity (Weick, 1995). Considering that sensemaking happens in and through communication, and storytelling in particular, we focus in this paper on the analysis of *'narratives'*, which can be defined as recurrent practices of storytelling (Boje, 1991, p. 106).

Through a set of 42 interviews with different actors from Western Europe and Asia we find a parallel existence of a 'compliance despite non-achievement' narrative with respect to low corruption-risk regions and 'noncompliance as means for achievement' narrative with respect to high-risk regions. That is, we explore that even compliant MNCs and various types of non-corporate actors from the Western hemisphere implicitly accept noncompliance of actors from certain high corruption-risk geographic spaces for a certain period of time. Actors of different type and origin make sense of a 'collective action' narrative to link the two parallel narratives. Actors perceive this interaction of compliant and (transitory) noncompliant actors to be a necessary means towards achieving anti-corruption goals in the longer term. They picture the future by using a 'progress as achievement' narrative. It becomes evident in this narrative that instead of referring to global anti-corruption goal achievement in absolute terms actors construe any type of small change in this global context as achievement per se. Our results show that through narration actors develop a shared understanding of what it means to be compliant and through narration also means and ends are reciprocally typified. We also find selective evidence that ideational dynamics are reflected in material anti-corruption developments, e.g. in rising popularity and implementation of regional anti-corruption initiatives or discourse-induced law enhancements. We add to organization theory scholarship by showing how a global dynamic and genuinely social-constructionist approach puts the tradeoff between compliance and goal achievement (Wijen, 2014) into perspective.

SYNERGIES AND CONTRIBUTIONS

This dissertation sheds light on dynamics and collective efforts in global socio-environmental governance as identified in quantitative and qualitative, objectivist and social-constructionist analytical approaches. More specifically, the three papers reveal important synergies and contribute to existing research. First, all papers highlight how the incorporation of time in CSR and organizational corruption research puts challenges or even trade-offs identified in previous studies into perspective. Second, they outline the need for joining forces across multiple geographic spaces to tackle collective societal ends. Finally, further specifying the role of dynamics and collective efforts, the two qualitative studies reveal how the incorporation of sensemaking processes allows for a more dynamic and flexible understanding of compliance and achievement in socio-environmental governance.

Time. The first essay empirically contributes to the controversial debate on the impact of voluntary CSR initiatives that lack stringent enforcement mechanisms (Behnam & MacLean, 2011; Haack & Scherer, 2014; Rasche, 2009). Being the first to draw on a new and theoretically informed UNGC implementation measure, the UNGC 'Differentiation Programme', this study provides evidence that the duration of participation in the UNGC does actually impact organizational behavior and that voluntary CSR initiatives can gradually refine their accountability structure over time. I thereby contribute to the extant literature on CSR standardization by highlighting that a predominantly static and compliance focused perspective (Behnam & MacLean, 2011; Delmas & Cuerel Burbano, 2011; Ostrom, 1990; Weaver & Treviño, 1999) tends to underestimate the impact of learning and stakeholder-oriented initiatives as well as the possibility to progressively tighten accountability mechanisms in such socio-environmental governance regimes.

The second essay contributes to the literature on organizational corruption that has previously incorporated a dynamic perspective for reintegration on the organizational level of analysis, but has neglected dynamics and heterogeneity in the institutional environment of the organization (Bertels, Cody, & Pek, 2014; Pfarrer, Decelles, Smith, & Taylor, 2008). We contribute to this literature by highlighting that reintegration in the complex context of global socio-environmental governance is not necessarily a fixed and predetermined state but rather a continuous process in which organizations have to manage legitimacy vis-à-vis a heterogeneous set of institutional expectations (Pache & Santos, 2010). To satisfy the expectations of Western regulatory institutions, Siemens had to over-fulfill existing organizational anti-corruption standards. Adding to the legitimacy literature on 'strategic manipulation' (Oliver, 1991; Scherer et al., 2013; Suchman, 1995), we identify a 'substantial influence' strategy at Siemens to promote a new benchmark of anti-corruption processes in a so far heterogeneous environment to secure legitimacy across different stakeholder groups. Organizational corruption and reintegration literature should therefore acknowledge the dynamic and contested nature of what is considered a legitimate group of organizations. We further add to these literatures by outlining that reintegration is not always a linear or stepwise process over time (Bertels et al., 2014; Pfarrer et al., 2008), but can also happen radically and abruptly in case of unprecedented regulatory and social sanctions resulting in a 'legitimacy shock'.

Looking at the micro processes within institutions in the anti-corruption field, the third paper then further specifies this dissertation's contribution with regard to time by highlighting the need to incorporate the dynamics of sensemaking processes in the literatures on decoupling and socio-environmental governance. Several studies in the decoupling and CSR standardization debate (Bromley & Powell, 2012; Campbell, 2007; Meyer & Rowan, 1977; Wijen, 2014) not fully incorporate the role of dynamics and communication, instead taking a predominantly static perspective of social reality. In the global context of a heterogeneous anti-corruption environment, we identify that actors make sense of a shared space-contingent understanding about compliance and achievement as long as actors perceive progressive developments over time. Moreover, actors perceive notions of compliance and achievement not always as predetermined and fixed. Rather, a mutual understanding of compliance is developed through discursive interaction leading to a continuous adjustment and refinement of means and ends. As mirrored in the title of this dissertation, the identified 'progress as achievement' narrative captures the ongoing and continuously recalibrated efforts in the fight against corruption. Our focus on sensemaking across time and space taken here has helped to further develop this debate: We suggest that it is ultimately by ‘means’ of an interaction between compliant and noncompliant actors that the ‘end’ of ‘effective’ socio-environmental governance can be approached.

Collective efforts. All three papers of this dissertation further have in common that they contribute to literature on collective efforts in the areas of CSR and anti-corruption. My first paper makes a two-fold contribution in this regard. First, acknowledging that the very nature of the UNGC is one of collective action – bringing different types of actors together under one roof to jointly solve global societal problems – the finding that longer participation duration in the UNGC leads to higher implementation of its principles is already a contribution to the so far controversial literature in this field. Further incorporating local opportunities for collective activities, my study lends at least partial support to theoretical arguments on the effect of local stakeholder engagement and networking opportunities. The presence of strong local UNGC networks has a significant positive effect on business participants’ implementation of the UNGC principles in these countries (see Mwangi et al., 2013; Rasche, 2012; Vormedal, 2005). Furthermore, while the general effect of these strong networks on progressive UNGC implementation over the duration of UNGC participation seems rather limited, this effect is much stronger when looking at the two largest local UNGC networks, Spain and France. In both countries participants display significantly more implementation progress compared to countries without active and long established local networks. Our analysis thus lends support to recent studies suggesting the necessity of achieving a ‘critical mass’ to trigger dynamics in CSR standardization (see Barkemeyer & Napolitano, 2009; Haack et al., 2012; Kell, 2005).

While the initial focus in the second essay is on how individual actors can regain legitimacy after a transgression, this essay also shows that interaction with other actors is crucial along this process. We not only find support for the role of ‘moral reasoning’ among central actors to openly exchange views on how to cope with complex institutional environments (Driscoll, 2006; Oliver, 1991; Scherer et al., 2013; Scott, 2007; Suchman, 1995). Moreover, we bring forward this literature by highlighting the need to distinguish between two extremes of 'strategic manipulation' – decoupling and 'strategic influence' – as outlined above.

The third study then explores in detail how such 'collective actions' can help to level the (anti-)corruption playing field by developing a shared understanding on the means and ends in the global fight against corruption. The social-constructionist perspective taken in this analysis reveals that actors of different type and geographical origin make sense of a joint navigation as the crucial element in approaching collective societal ends such as fighting corruption. Put differently, they care less about *how*, i.e. in what state of compliance or noncompliance, actors 'get on board', but much more on the fact *that* they get on board at all. Collective initiatives to organize for CSR and fight corruption such as the UNGC or joint agreements to commit to anti-corruption principles (so-called Integrity Pledges) therefore include actors at very different levels of CSR implementation or compliance. This interaction of compliant and less compliant actors is perceived as a necessary precondition to approach global goals over time. Consequently, this collectively typified understanding of solving societal problems puts the tradeoff or even paradox suggested by previous objectivist studies on compliance and goal achievement (Baron & Lyon, 2012; Wijen, 2014) into perspective. Finally, the third paper supports a contribution of the first paper highlighting the need to achieve a critical mass and connects with previous research stressing the benefits of joint problem solving among more and less compliant actors in other contexts of socio-environmental governance, such as labor conditions in global supply chains (Locke, Amengual, & Mangla, 2009).

FUTURE RESEARCH

Each of the three papers reveals several empirical and conceptual avenues for future research. In particular, my findings provide a basis for future research aimed at further exploring the development of collective efforts in the context of socio-environmental governance. For example, I outline in paper one that future research is needed to further assess the continuous refinement, adjustment and geographic expansion of transnational sustainability standards. Similarly, paper two and three identify the need for further narration-oriented analyses on anti-corruption or other ethically contested issues, and for in-depth studies on the relation between ideational and material developments in this context. Considering that this dissertation produced comprehensive knowledge on the role of large MNCs on these issues, and at the same time revealed conflicting arguments with regard to smaller sized firms, I will take this observation as a basis for specifying my suggestions for future research avenues: (1) conduct exploratory studies on the role of legitimacy and (de)coupling at small and medium sized firms (SMEs) in the global fight against corruption; (2) study the interaction of SMEs and large MNCs in this context; and (3) conduct quantitative studies tracing the diffusion of anti-corruption practices from large MNCs to SMEs over time.

First, future research could shift or even extend its focus from large MNCs to small and medium sized enterprises (SMEs) in the global fight against corruption. SMEs are commonly referred to as “enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro” (EC, 2003). Papers two and three of this dissertation outline that large MNCs of high visibility and prominence were forced to respond to increasing expectations to fight corruption after a series of scandals threatening their legitimacy. In contrast, SMEs are so far mainly untroubled by such scandals and might feel less pressure to respond to external expectations (Hauser & Kronthaler, 2013) in order to preserve their legitimacy. The interviews conducted in the context of this dissertation further reveal the perceived need of practitioners to gain more insights into how SMEs fight corruption in a changing institutional environment, as illustrated in the following table:

Calls from practitioners for more insights into the role of SMEs in the global fight against corruption	Interviewee
“(At) a lot of these big companies that are in the press, it is a reactive behavior. They are reacting because they’ve gotten into trouble in the past. How many companies – if you look at the small or medium size enterprises in Switzerland – are taking a proactive approach?”	Integrity manager, large power and automation MNC, Switzerland
“I think at some circumstances – because we are a big player – the problem with the smaller players is that if they say no, things will be delayed or a permit will not be issued right away, because the official might take his time. So that is still possible. (…) But as far as we are concerned, I think it’s the size plus the consistency in the messaging.”	Finance director, large oil and gas MNC, Philippine subsidiary
“SMEs face considerably more challenges fighting corruption compared to larger firms as they cannot exert influence.”	Lawyer and FCPA expert, large law firm, Germany
“It is always difficult to define, (what counts as) a medium-sized enterprise, but I think to observe that initiatives are increasing here. Look at the consultancy business, which strongly caught-up already and offers solutions for medium-sized businesses. This is always a good indicator.”	Compliance manager, large automotive MNC, Germany
“I can tell you there are a lot of companies, small and medium kind of enterprises, in Switzerland that have no idea. That is where you have a huge market, if you want to promote compliance and integrity. (…) I would be very curious about, what I said, that aspect of small and medium sized enterprises.”	Integrity manager, large power and automation MNC, Switzerland

Particular insights from the corruption literature suggest that SMEs face greater challenges in fighting corruption and are more likely to be involved in corrupt practices than large MNCs (Aterido, Hallward-Driemeier, & Pagés, 2011; Bennedsen, Feldmann, & Dreyer Lassen, 2009). On the other hand, the CSR literature suggests that internationally operating SMEs despite their limited resources may pursue an approach of solving societal problems that is not necessarily inferior to the one of large MNCs (Jenkins, 2004; Murillo & Lozano, 2006; Wickert, 2014). Future research is needed to address central questions that arise from this puzzle: What are the actual organizational differences between SMEs and MNCs in fighting corruption? Why are there differences and how can we explain their development over time? How do actors make sense of such differences over time? Based on these findings, can we identify whether one approach of fighting corruption is ‘inferior’ to the other? Put differently: how can SMEs, as opposed to MNCs, fight corruption?

A thorough review of the literatures on CSR, anti-corruption, legitimacy and decoupling seems necessary to shed light on the common grounds among them and on the specific conditions under which certain contradictory expectations persist. To help clarify persisting ambiguities, exploratory qualitative studies appear necessary for potentially revealing so far neglected contingencies in this context. Such studies could build on and further expand qualitative data of this dissertation or of related studies on CSR standardization (Haack et al., 2012) and include further documentary data over time.

Second, building on this dissertation's insights into the role of collective actions, future research should include SMEs when analyzing how actors make sense of compliance and achievement in the fight against corruption over time (Christensen, Morsing, & Thyssen, 2013; Weick, 1995; Wijen, 2014). Studying this interaction appears important considering that SMEs are constrained by limited resources and visibility and that collective efforts to level the anti-corruption playing field require substantial financial and human resources that often only MNCs possess. The current popularity in organization theory to study discourse and sensemaking is crucially dependent on the ability to link ideational dynamics with material developments. This dissertation provides comprehensive evidence on material organizational changes at Western MNCs in paper two and offers first selective evidence that ideational dynamics may in fact be associated with material developments in the global anti-corruption field. However, future research is needed to explore the causal relations between ideational and material dynamics over time and highlight the specific conditions under which such relationships hold. It will be exciting to see whether and to what extent, for example, diffusion theories postulating a dynamic process from noncompliance to compliance enacted trough narration and the development of a shared understanding among actors (Boxenbaum & Jonsson, 2008; Haack et al., 2012) help explain the dynamic and material interactions between SMEs and MNCs in the fight against corruption.

Following-up on the development of global collective action initiatives like the UNGC and on regional collective action initiatives like the ones in the Philippines, Malaysia, Thailand and Indonesia identified in papers two and three of this dissertation (see also ASEAN_CSR_Network, 2014) appears promising here as it would allow to trace developments over time. Furthermore, even a follow-up on a specific SME-MNC interaction which I identified during the data acquisition for this dissertation appears promising: At an anti-corruption workshop in Myanmar, a young representative of the local 170 employee 'SMART group of companies' highlighted the value of the close anti-corruption screening and support it received by the Western MNC General Electric. Approaching the interaction from the other side, in-depth investigations of MNC collective action initiatives reaching out to SMEs and supply chain partners provide a rich context for empirical research.

Third, quantitative research on collective action and CSR standardization is needed for tracing developments across MNCs and SMEs over time. These studies can further shed light on the generalizability of central findings obtained through this dissertation and the qualitative research suggested above. In the second and third essay of this dissertation, I could already examine that practices of large MNCs tend to converge to a common set of 'best practices'. One interesting direction for quantitative analyses is thus to test arguments from institutional theory on the diffusion of institutionalized practices (Greenwood & Hinings, 1996; Misangyi, Weaver, & Elms, 2008; Strang & Meyer, 1993), most notably here from large MNCs to SMEs. Literature on the emergence and diffusion of anti-corruption norms focused so far on the position of actors in a field (Misangyi et al., 2008) but tended to neglect the influence of firm size and other organizational characteristics. Potential hypotheses may state as follows: *If internationally operating SMEs increasingly implement anti-corruption processes over time, they follow the implementation patterns at large Western MNCs*. Or more specifically: *The closer the supply chain relationship and/or collective actions between internationally operat-*

ing SMEs and Western MNCs, the higher the levels of anti-corruption implementation at SMEs become over time.

Alternatively to explaining CSR diffusion as a result of interactions between MNCs and SMEs, insights from integrative social contracts theory on the role of national identity and local norms (Bailey & Spicer, 2007; Donaldson & Dunfee, 1994) can be applied to the issue of corruption. Following the recent wave of scandals, I outline in the second paper that many MNCs have centralized their anti-corruption processes including the hiring of crucial compliance personnel, the coordination of training programs or the financial payment structure. Global or so-called 'hypernorms' (Donaldson & Dunfee, 1994, p. 264) therefore seem to dominate local norms. Potentially though, employees in a small subsidiary of an internationally operating SME may be more influenced by the corruption norms of the host country (see e.g. Bailey & Spicer, 2007). Future research may thus hypothesize and test under what conditions different degrees of SME foreign embeddedness explain differences in anti-corruption structures and processes.

Methodically, the goal of future quantitative studies should be to create panel data on CSR and anti-corruption standardization to run fixed or random effects regression analyses (Wooldridge, 2010) which are conducive for tracing causal developments over time. As my first dissertation paper has outlined, a theoretically informed UNGC implementation measure is available since 2011 allowing by now to analyze changes over time. This CSR measure will be of great use for future empirical studies on socio-environmental governance and even allows analyzing single CSR issue areas such as human rights, labor standards, the environment and corruption.

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FIRST DISSERTATION PAPER

IMPLEMENTING CORPORATE SOCIAL RESPONSIBILITY: EMPIRICAL INSIGHTS ON THE IMPACT OF THE UN GLOBAL COMPACT ON ITS BUSINESS PARTICIPANTS

Stefan Schembera
stefan.schembera@business.uzh.ch

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IMPLEMENTING CORPORATE SOCIAL RESPONSIBILITY: EMPIRICAL INSIGHTS ON THE IMPACT OF THE UN GLOBAL COMPACT ON ITS BUSINESS PARTICIPANTS

Abstract

The implementation of corporate social responsibility (CSR) is crucial for the legitimacy of an organization in today's globalized economy. This study aims to enrich our knowledge of the implementation of the largest voluntary CSR initiative – the UN Global Compact (UNGC). Drawing on insights from stakeholder and institutional theory, I derive a positive impact of UNGC participation length on the implementation of the UNGC principles, despite potential weaknesses in the initiative's accountability structure. Moreover, I scrutinize the validity of the newly introduced UNGC 'Differentiation Programme' before applying this measure in the empirical analysis. Results from ordinal and linear regression models and from approaches addressing endogeneity suggest that, contrary to arguments by UNGC critics, the length of UNCG participation does affect the level of UNGC implementation. However, this effect appears to be much smaller than previous practitioner studies have suggested. Moreover, the presence of strong local UNGC networks positively affects the implementation level of the UNGC, although its hypothesized mediating role between UNGC participation length and UNGC implementation level is very small.

Key Words

Corporate Social Responsibility, Differentiation Programme, Implementation, UN Global Compact

INTRODUCTION

Corporate social responsibility (CSR) has gained such prominence in organizational theory and practice (De Bakker, Groenewegen, & Den Hond, 2005; The Economist, 2005; Lockett, Moon, & Visser, 2006; Margolis & Walsh, 2003) that its organizational implementation has grown into one of the key challenges that organizations face (Gilbert & Rasche, 2008; Knudsen, 2011; Lindgreen, Swaen, & Maon, 2009; Maon, Lindgreen, & Swaen, 2009). In the process of globalization, many companies extended their operations across national borders and, in certain cases, even gained greater economic and social power than some governments (Garriga & Melé, 2004). At the same time, the capacity of national governmental agencies to regulate multinational corporations (MNCs) and to produce public goods has been eroding (Habermas, 2001; Kobrin, 2001; Scherer & Palazzo, 2008).

Socio-environmental problems, such as human rights violations, global warming and corruption, have reached a level of complexity at which they can no longer be managed by unilateral national policy alone because their causes and effects are often transnational. While legislation on transnational business activities has been proliferating over the last decades, so far governments have failed to address these social and environmental challenges adequately on an international level (Scherer & Palazzo, 2011; Scherer, Palazzo, & Baumann, 2006). Consequently, various societal actors increasingly expect businesses to take on public responsibilities (Campbell, 2007; Crane & Matten, 2004; Fransen & Burgoon, 2014). The pressures are real, as industry leaders like Nike, Exxon, Nestlé, and Pfizer can attest (Maon et al., 2009; Vogel, 2010). More and more companies can thus no longer afford to act merely as isolated players but may have to take on a political role (Matten & Crane, 2005; Scherer, Palazzo and Baumann 2006).

Social accountability initiatives like the UN Global Compact (UNGC), the SA 8000 social accountability standard and the ISO 26000 CSR standard offer businesses means of complementing legislation in order to adequately address social, environmental and anti-corruption issues (Christmann & Taylor, 2006; Hess, 2001; Rasche, Waddock, & McIntosh, 2013; Vogel, 2010). The UNGC is the most prominent voluntary CSR initiative worldwide; participants commit to ten universal principles in the areas of human rights, labor standards, the environment and anti-corruption (see Appendix 1). The overarching goal of the initiative is to serve as a long-term CSR learning platform (Kell & Levin, 2003; Palazzo & Scherer, 2010; Rasche, 2009). 'Learning' is understood in this paper as a business participant's progress regarding "the development, implementation, and disclosure of sustainability policies and practices" (see UNGC, 2012c) in the context of the ten principles. This understanding closely corresponds with more general definitions suggesting that organizational learning occurs when organizations institutionalize new structures, routines or strategies that lead to changes in action (Huysman, 1999; Kell & Levin, 2003).

To date, however, scholars have conducted little empirical research on the impact of the UNGC, despite the potential significance of such an initiative for the corporate world (Christmann & Taylor, 2006; Maon et al., 2009; Margolis & Walsh, 2003; Runhaar & Lafferty, 2009). The few exceptions that empirically analyze the implementation of the UNGC are based on only a few companies (Baumann-Pauly & Scherer, 2013; Rieth, 2009; Runhaar & Lafferty, 2009) or a single country (Berliner & Prakash, 2014; Hamann, Sinha, Kapfudzaruwa, & Schild, 2009), or examine particular CSR policies whose implementation is not directly tied to the UNGC principles (Bernhagen & Mitchell, 2010). Findings with regard to the impact of UNGC participation on business practices are mixed (Rasche et al., 2013). What remains unaddressed in most of these studies is the impact of UNGC participation duration on the implementation of its principles on a large global basis. While practitioner studies offer first quantitative insights on this issue, the self-assessments of the respondents are not based on any sort of explicit implementation criteria (see e.g. McKinsey, 2007; UNGC, 2012e). Their results suggest that UNGC participation duration has a high positive impact on the implementation of the ten principles; critics, however, continue to reject this conclusion (Berliner & Prakash, 2014; Sethi & Schepers, 2014).

The aim of the present work is thus to enrich our knowledge on the question of whether the Global Compact has an impact on its business participants as regards the implementation of its principles over the duration of participation. The newly introduced UNGC 'Differentiation Programme' thereby offers, for the first time, a comprehensive measure capturing different levels of UNGC implementation. Launched in February 2011, it prescribes its participants to assess their level of UNGC implementation based on a set of predefined criteria. I analyze the validity of this program's 'content' in the data and method section by comparing its implementation criteria with a theoretically informed UNGC assessment model (Baumann-Pauly & Scherer, 2013). Acknowledging the difficulties to measure actual – day-to-day – implementation, especially across a large population of companies, Appendix 2 lists a set of analyses providing initial insights about the validity of this newly available self-assessed UNGC implementation 'construct'.

As UNGC participants, companies have the obligation to communicate with their stakeholders on a regular basis. Further, they have the possibility to collaborate with them in the course of various UNGC network events. Stakeholder theory (see e.g. Donaldson & Preston, 1995; Freeman, 1984; Jones, 1995) suggests that managing stakeholder relationships in such a manner has an impact on organizational practices. Beyond global coordination with stakeholders, scholars have argued about the importance of strong local stakeholder networks to generate aspired outcomes (Rasche, 2012; Vormedal, 2005). Critics, however, point to the initiative's lack of accountability mechanisms and of guidance on how the principles should be implemented, which allows for the risk of the UNGC being used solely as marketing tool (Hemphill, 2005; Williams, 2004). More precisely, companies with a poor reputation may simply choose to join the UNGC without intending to actually implement its principles in their organizational structures, assuming that the mere association with the UN allows them to create a positive image. This practice is derogatorily referred to as 'bluewashing,' (Knudsen, 2011, p. 334) in allusion to the blue UN flag.

To contribute to the controversial debate on whether the UNGC has an impact on its business participants, despite the lack of stringent accountability mechanisms, this study addresses the following research questions: *Does longer UNGC membership duration lead to higher levels of UNGC implementation? How does the presence of strong local UNGC networks mediate this relationship?*

To answer these questions, I apply multiple analytical approaches including ordinal and linear regression analyses and instrumental variable models to address endogeneity and selection issues. Contrary to arguments by UNGC critics, my findings suggest that the duration of UNCG participation does affect the level of UNGC implementation. However, this effect seems to be much smaller than previous practitioner studies suggested. The presence of strong, i.e. active and long-established, local UNGC networks positively affects the implementation level of the UNGC, although its hypothesized mediating role between UNGC participation duration and UNGC implementation level is very small. Finally, firm size and public ownership seem to be the strongest drivers of UNGC implementation.

IMPLEMENTING CSR IN THE UN GLOBAL COMPACT: THEORETICAL BACKGROUND AND EMPIRICAL EVIDENCE

Over the last decades, the literature on CSR mainly concentrated on whether CSR is good for profits (Margolis & Walsh, 2003; Orlitzky, Schmidt, & Rynes, 2003; Peloza, 2009). Margolis and Walsh (2003) reviewed the available literature on CSR published between 1972 and 2002 and found that most studies treated CSR as a 'black box' – that is, as an independent variable – and only 15 percent treated it as the dependent variable. In addition, more recent studies have found that there is little research on how companies implement CSR (Christmann & Taylor, 2006; Rasche, 2009).

Over the last years, however, social accountability initiatives like the UNGC, the SA 8000 social accountability and the ISO 26000 CSR standard were instituted to offer businesses a means to address social, environmental and anti-corruption issues in the absence of a legally binding global governance system (Christmann & Taylor, 2006; Frost, 2005; Hess, 2001; Rasche et al., 2013). The effectiveness of such initiatives has been of interest in the recent literature (Christmann & Taylor, 2006; Maon et al., 2009; O'Rourke, 2003; Runhaar & Lafferty, 2009; Schuler & Christmann, 2011). While there is some evidence that under certain conditions international certifiable standards, like the ISO 9000 general management standard or the ISO 14001 environmental management standard, influence organizational practices (Christmann & Taylor, 2006; Potoski & Prakash, 2005), studies on the effectiveness of global standards covering a comprehensive spectrum of CSR issues, like the UNGC, so far rely on a few cases only (see Baumann-Pauly & Scherer, 2013; Runhaar & Lafferty, 2009). Other existing studies tend to focus on a particular country (e.g. Berliner & Prakash, 2014; Mwangi, Rieth, & Schmitz, 2013; Rieth, 2009) or use UNGC implementation measures that are either binary or not directly related to the ten UNGC principles (see Bernhagen & Mitchell, 2010; Perez-Batres, Miller, & Pisani, 2011).

In contrast, insights on the effectiveness of voluntary initiatives based on a global quantitative analysis relying on measures with predefined criteria directly tied to the initiatives principles are scarce, yet crucially needed. In particular, more such analyses of the UNGC appear necessary, not only because it is the largest but arguably also most ambitious voluntary CSR initiative (Rasche, 2009; Vormedal, 2005). As we can see in Appendix 1, the UNGC principles span the whole spectrum of CSR issues, ranging from human rights and labor standards to environmental and anti-corruption issues (for an overview of CSR standards and institutions see Gilbert, Rasche, & Waddock, 2011; Waddock, 2008). Hence, several scholars refer to the UNGC as a comprehensive initiative capturing an extended concept of corporate responsibilities applicable in today's globalized economy, where state actors increasingly lose control over transnational corporate activities (Matten & Crane, 2005; Scherer et al., 2006).

Toward clearer guidance on the implementation of the UNGC principles

The UNGC, initiated by the former UN secretary general Kofi Annan at the Davos World Economic Summit in 1999, was formally launched on July 26, 2000. The initiative invites the private sector to collaborate with the UN in order to identify and spread good business practices that incorporate the UNGC's ten universal principles (Ruggie, 2001) in the areas of human rights, labor rights, protection of the environment and anti-corruption (see Appendix 1). The ten principles are derived from key international declarations (UNGC, 2012a) and as such enjoy a broad consensus. As more companies joined the scheme, the UNGC soon evolved into the largest voluntary corporate CSR initiative in the world (Hemphill, 2005), with currently 8,322 business participants (data as of April 29, 2015). The primary goal of the initiative is to provide its participants with the resources and expertise that will help them implement the ten UNGC principles. Since its foundation, the scheme has received both a great deal of support and a great deal of criticism. One major criticism leveled at the UNGC by a number of scholars (see Hemphill, 2005; Rasche, 2009; Williams, 2004) is that the Compact's principles are vague and thus hard to implement.

Deva (2006) points out that the UNGC principles provide little concrete guidance to companies on the conduct that is expected from them. Since the introduction of the compulsory 'Communication on Progress' (COP) policy in 2003, corporations have to report annually on the progress they have made in implementing the ten principles, but for a long time this policy lacked standardized criteria for evaluating the progress of participants, as well as incentives for stricter implementation. Therefore, it was previously possible for a participant to highlight just one CSR area where its record of progress was excellent and conceal other issue areas where its record was poorer (Williams, 2004).

To react to this issue, in February 2011 the UNGC and its stakeholders introduced the ‘Differentiation Programme’, for the first time prescribing that its participants must choose among different levels of UNGC implementation criteria. The three basic levels of the program are ‘Learner Platform’ (Learner), ‘GC Active’ (Active) and ‘GC Advanced’ (Advanced). In both the Advanced and the Active level (see UNGC, 2012b) it is no longer possible for participants to highlight just one issue where implementation is good, while concealing others where implementation is poor. Companies have to report on each issue (human rights, labor, environment, anti-corruption) separately. On the Advanced level there are 24 detailed criteria that companies have to meet in their annual COP reports. A criterion is considered met when a company communicates that it has implemented or plans to implement one or more of the commonly accepted best practices associated with that criterion. Companies are only allowed to exclude single issues if they can outline why a particular issue is not relevant to the organization’s specific operating context.

In sum, there is a need for further comprehensive investigations of voluntary initiatives like the UNGC. Furthermore, the recent UNGC developments toward clearer implementation guidance call for an updated analysis of the initiative’s accomplishments. The aim of this study is, hence, to enrich our knowledge on the implementation of the UNGC and the impact of its stakeholder engagement approach by drawing on a large set of companies and countries worldwide and applying a three-level implementation measure that is directly tailored to assess UNGC implementation.

HYPOTHESES DEVELOPMENT

One of the most crucial questions regarding the impact of the UNGC can be stated as follows: compared to the newer participants, have the older participants learned to better implement the UNGC principles? This question is especially relevant given the common criticism that companies simply join to benefit from the UN's reputation without intending to improve their implementation of the UNGC principles (Deva, 2006; Rasche et al., 2013; Williams, 2004). Critics argue that the design of the initiative, lacking stringent enforcement mechanisms such as independent monitoring is inappropriate to generate substantive organizational outcomes (e.g. Berliner & Prakash, 2014; Sethi & Schepers, 2014).

To analyze the impact of the UNGC on the organizational practices of its business participants, we have to consider only those features that are exclusively available to UNGC participants. In the following, I will refer to the exclusive impact of the UNGC on business participants as the 'net impact'. What is hence excluded in the analysis of the UNGC's net impact is the myriad of documents that provide guidance on implementing the ten UNGC principles, as these are publicly available to all interested parties. In fact, the only feature exclusively available to UNGC participants is its learning and network structure. Business participants are linked with governments, civil society organizations and labor through three engagement mechanisms: learning events, dialogue events and partnership projects (see Palazzo & Scherer, 2010; Rasche, 2009; Williams, 2004).

Several models on learning processes in the context of CSR integration have been developed, the most prominent of which is arguably Zadek's (2004) model on Nike. However, many scholars argue that there is not a single 'best way' to manage organizational change (Burnes, 1996). While research has so far failed to develop a single, universally accepted theory of organizational learning, it at least suggests that learning occurs over a period of time

(Crossan, Maurer, & White, 2011). Moreover, according to a recent CSR implementation framework incorporating previous literature on the CSR implementation processes, there seems to be one central means of achieving learning, or 'change', underpinning every step of CSR implementation: 'continuous stakeholder dialogue' (Maon et al., 2009).

Considering the clear focus of the UNGC on achieving learning through networking and dialogue with stakeholders, I draw on insights from stakeholder theory to hypothesize on the impact of the UNGC on its business participants. Stakeholders are commonly defined as those "groups or individuals who can affect, or are affected by, the achievement of an organization's mission" (Freeman, 1984, p. 54). Stakeholders are the central actors that produce accountability standards like the UNGC, as NGOs do, or benefit from their implementation, as employees do, and shape the discussion on how standards are put into practice (Gilbert & Rasche, 2008). Certain types of CSR can be perceived as manifestations of attempts to establish trusting, cooperative relationships between businesses and stakeholders (Jones, 1995). Scholars widely agree that, with regard to the UNGC, the interaction between firms and stakeholders is a driver for UNGC implementation (Mwangi et al., 2013; Simmons, 2009) or CSR in general (Campbell, 2007, p. 962). Burnes (2004) argues that learning about stakeholder expectations and the specific context in which they operate helps design the appropriate mechanisms for positive organizational change.

Applied to the UNGC, sharing best practices and following notable examples is crucial for learning (Kell & Levin, 2003; Rasche, 2009). At the global level, the online Learning Forum is one example of a UNGC learning mechanism. It is a database inviting participants to share good practice cases and learn from other organizations' experience in implementing the 10 principles through the GC web portal; the goal of the UNGC office is to form a knowledge platform that integrates the views of all relevant stakeholders, and at the same time increases the transparency of participants' activities (Kell & Levin, 2003; Vormedal, 2005). Moreover, participants can meet in person at the annual international learning forum conferences to share best practices and discuss experiences of working with the UNGC or attend global issue-specific multi-stakeholder dialogues, so-called global ‘policy dialogues’, to discuss contemporary challenges of globalization and corporate responsibility (Rasche, 2009; Vormedal, 2005). Taken together, we may expect that firms that have engaged more with stakeholders in the context of these UNGC engagement mechanisms have also learned to better implement the UNGC principles compared to firms that exhibit a lower level of engagement.

The annual Global Compact Implementation Survey, the 2011 version comprising 1,325 companies from over 100 countries, suggests a strong relationship between the length of UNGC participation and the degree of engagement with UNGC stakeholders. “Companies that have been in the Global Compact the longest are significantly more likely to partner with the UN – 60% of early joiners versus 25% of recent joiners“ (UNGC, 2012e, p. 22). The results of another study suggest “that companies that have participated many years in the GC, have submitted the most projects and have attended the most GC meetings“ (Cetindamar & Husoy, 2007, p. 163). With regard to learning or implementation progresses of UNGC participants, reports by the UNGC (2011) itself as well as by the consultancy firm McKinsey (2007) suggest that learning indeed does occur among UNGC participants. However, the responses are not tied to any predefined set of implementation criteria and results may suffer from several biases, as I will outline in the methods section.

Combining a) the presented arguments on the impact of stakeholder engagement on the implementation of the UNGC and b) the strong relationship between the length of UNGC participation and the likelihood to engage and partner with UNGC stakeholders, I hypothesize:

> *Hypothesis 1a: The longer a company has been a participant in the UNGC, the higher the degree of UNGC implementation.*

Learning in the UNGC is not only supposed to occur at the global level, but also at the local level (Kell & Levin, 2003; Rasche, 2009). Most notably, the UNGC supports the proliferation of 'local UNGC networks' at the regional or country level (Rasche, 2012; Vormedal, 2005). The organizational learning literature widely acknowledges the importance of inter-organizational networks on organizational outcomes (see e.g. Knight, 2002). Applied to the UNGC, "[t]heir role is to facilitate the progress of companies (...) engaged in the Compact with respect to implementation of the ten principles, while also creating opportunities for multi-stakeholder engagement and collective action" (UNGC, 2014) (see also Gilbert & Behnam, 2013; Williams, 2004). Some scholars even argue that "membership in the GC alone is unlikely to move a company in significant ways toward progressive implementation of the core GC principles", but that "the existence of active regional and local GC networks is a crucial ingredient for setting in motion specific mechanisms, such as peer learning and capacity building, that can contribute effectively to improved performance of individual member companies" (Mwangi et al., 2013, p. 204) (see also Gilbert, 2010).

We have general indications that certain local networks have been attended regularly and that participants perceive the meetings as fruitful thanks to the more intense and small-scale interactions that allowed them to learn from one another's experiences (see survey by Vormedal, 2005). Moreover, the 2011 UNGC implementation survey concludes that "[c]ompanies that have participated in the Global Compact the longest are more likely to engage locally" (UNGC, 2012e, p. 25). Yet, we also know that local UNGC networks vary significantly, e.g. as regards annual activities, type of stakeholder inclusion and years of existence, if established at all (Rasche, 2012; UNGC, 2010). In line with first qualitative empirical analyses (Mwangi et al., 2013) based on two local networks, the German and Australian UNGC network, we may expect a higher impact of the UNGC on business routines in countries with strong, i.e. long established and active, UNGC networks.

Building on the arguments underlying the development of hypothesis 1a, and recalling that learning usually occurs over a period of time (Crossan, Lane, & White, 1999), I further hypothesize:

Hypothesis 1b: The presence of active and long existing local networks positively mediates the relationship between the duration of UNGC participation and the level of UNGC implementation.

The model presented in Figure 1 illustrates the hypothesized impact of UNGC participation duration on the level of UNGC implementation (H1a) together with the suggested mediating effect of active long-established local networks of this relationship (H1b). Following the CSR literature, this model also includes more general determinants of UNGC implementation (control variables; described in the methods section).

----------------------------- Insert Figure 1 about here -----------------------------

DATA AND METHOD

The main data source for this study is the *UNGC business participant database*. My dataset comprises all UNGC business participants that submitted a COP between the introduction of the 'Differentiation Programme' on February 1, 2011 and November 29, 2011. After merging and eliminating incomplete, duplicate or otherwise unusable data, the final dataset consisted of 2,280 UNGC business participants.

The date of data collection was deliberately chosen, because companies can assign themselves the lowest level of UNGC implementation – Learner – only once and only for the period of 12 months, after which they must either proceed to a higher level of implementation or leave the UNGC. This means that data on implementation levels collected after February 1, 2012, (i.e. more than 12 months after the beginning of the 'Differentiation Programme') would suffer from a strong self-selection bias, because companies which classified as Learner in the first year of the ‘Differentiation Programme’ and did not assess a progress in implementation during that year would be excluded from the initiative. Recognizing that prior to February 1, 2012 no such formal pressure to make implementation progress in the UNGC existed, the risk that my dataset suffers significantly from a self-selection bias may be regarded as comparatively low.

Dependent variables

UNGC implementation. The newly introduced UNGC ‘Differentiation Programme’ provides, for the first time, a comprehensive measure allowing for a differentiated analysis of UNGC implementation among participants worldwide. My analysis based on this measure complements our empirical knowledge in two ways.

On the one hand, while relying on participant declarations – like most, if not all, measures of CSR implementation in large quantitative studies – it avoids asking participants about any type of perceived implementation progress as done in other studies. For example, response categories like “Advancement would not have happened otherwise” or “Significantly helped” (see UNGC, 2012e, p. 10) are not tied to any criteria. Therefore, they may be particularly prone to a social desirability bias, i.e. “systematic error in self-report measures resulting from the desire of respondents to avoid embarrassment and project a favorable image to others“ (Fisher, 1993, p. 303) (see also Crane, 1999). Instead, I derive my conclusions on UNGC accomplishments by confronting the self-assessed UNGC implementation levels with the objectively observable measure ‘years’ of UNGC participation. On the other hand, this measure does not suffer from response selection biases, which are present in surveys that are responded by an unrepresentative fraction of contacted companies – possibly only those who made greater implementation progress. In contrast, the self-assessments of UNGC implementation according to the ‘Differentiation Programme’ are mandatory for every participant.

To further enrich our knowledge of the validity of the UNGC implementation measure, later used in my empirical analysis, I now analyze whether the 'content' of this measure validly represents a theoretically informed UNGC implementation concept. The CC assessment tool of Baumann-Pauly and Scherer (2013) – operationalizing the extended CSR concept of the Global Compact for organizational implementation (see Table 1) – is well suited for this purpose. Baumann-Pauly and Scherer (2013) distinguish three dimensions that are crucial for CSR implementation: *commitment*, *structures & procedures* and *interaction*. *Commitment* is demonstrated by the corporation's willingness to implement CSR systematically. *Structures & procedures* describe the internal implementation of CC principles in the corporation's day-to-day activities. Finally, *interaction* – primarily with external stakeholders – is necessary for gaining legitimacy (Scherer et al., 2006; Suchman, 1995). For each dimension they developed specific criteria, drawing on the relevant organizational and management literature.

The left side of Table 1 displays the highest level of CSR implementation, which in the Baumann-Pauly and Scherer (2013) CC assessment tool is referred to as the 'Civil' stage (see also Zadek, 2004). I will compare this stage with the Advanced stage in the UNGC 'Differentiation Programme' (hereafter 'UNGC Advanced criteria') to examine whether these UNGC criteria indeed correspond to a high degree of CC implementation as derived from academia. A perfect match, i.e. exact equivalence, between the two models can be ascertained if the following two conditions are met: (1) each criterion used in the CC assessment tool has its counterpart in the UNGC Advanced criteria, and vice versa. (2) There are no (or only minimal) possibilities to formally circumvent the CC assessment tool criteria through 'loopholes' or lack of clarity in the UNGC Advanced criteria.

---------------------------- Insert Table 1 about here ----------------------------

(1) The comparison between the UNGC Advanced criteria and those of the Baumann-Pauly and Scherer (2013) CC assessment (Table 1) shows that, indeed, all CC assessment tool criteria are addressed in at least one UNGC Advanced criterion. Several CC assessment tool criteria correspond to various UNGC Advanced criteria, as the latter are quite detailed. In fact, this specification is well in line with Baumann-Pauly and Scherer (2013), who identified the need to complement their original CC assessment tool by specifying further criteria for certain complex issue areas. The UNGC Advanced criteria 5 to 20 address four issue areas: human rights, labor, the environment and anti-corruption with respectively four criteria (commitment, management systems, monitoring and evaluation mechanisms, and standardized performance indicators). Vice versa, all UNGC Advanced criteria are addressed in the CC assessment tool. The first condition is therefore fully met.

(2) Three CC tool criteria 'alignment of incentive structures,' 'provision of training' and 'complaints procedure' are not directly addressed in any of the UNGC Advanced criteria as such, but appear only in single best practices listed underneath several criteria. These appear italicized in Table 1. Because it is sufficient for UNGC participants to fulfill one best practice under each UNGC Advanced criterion for that criterion to be met, they have the possibility to circumvent these three CC tool criteria. Furthermore, some suggested best practices – such as "Allocation of responsibilities and accountability within the organization" (UNGC Advanced criterion 6, fourth best practice, UNGC, 2012d, p. p. 5) – are less clear-cut than other best practices e.g. regarding application levels of the Global Reporting Initiative (GRI) (see UNGC Advanced criterion 23, UNGC, 2012d, p. p. 13). Because of such 'loopholes' or missing specification, the third condition is only partially met. Given the necessity to maintain a certain degree of generalizability with regard to the 24 criteria, which have to apply to all sorts of businesses worldwide, certain 'loopholes' and ambiguities may be deemed unavoidable. In view of this, the match between the two models can be regarded as 'reasonably' good.

In addition to the analysis of the UNGC implementation measure's 'content', I conducted several analyses allowing for initial insights on the validity of the self-assessed UNGC implementation 'construct' (see Cronbach & Meehl, 1955). In other words, I try to generate knowledge on whether there is the risk of 'decoupling', i.e. a gap between *a company's CSR 'talk'* and its *actual* day-to-day CSR *'walk'* (see Aravind & Christmann, 2011; Behnam & MacLean, 2011), in this study's dataset. As Appendix 2 outlines in detail, the theoretical risk of decoupling has been reduced with the increased accountability structure of the UNGC. Empirically, I find that companies included in the Dow Jones Sustainability World Index, a third-party CSR performance assessment based on its own set of sustainability criteria, are 37% more likely to classify as Advanced in the UNGC 'Differentation Programme' when compared with those classifying as Learner. Moreover, based on a small third-party UNGC assessment database, I find that a one-unit increase in the reliability of UNGC participant information increases the probability to classify as (UNGC) Advanced by 29% when compared to Learner. While these analyses suggest that there is considerable 'noise' in the relationship between the analyzed variables, they do not find any evidence for the presence of systematic decoupling, e.g. a negative relationship between UNGC implementation and DJSI inclusion, in my dataset.

Independent variables

Duration of UNGC participation. To analyze the effect of the duration of participation on UNGC implementation, I recoded the *date of UNGC entry* in the dataset into completed *years of participation*.

'Strong' local UNGC networks (mediating variable). To analyze how the presence of 'strong' local UNGC networks mediate the relationship between UNGC participation duration and level of (self-assessed) UNGC implementation, I created a dummy variable assigning countries the values 1 or 0 based on the following categorization (data from the local network report: UNGC, 2010). I define 'strong' local networks as those fulfilling the following criteria: 1) Businesses – both large companies and small and medium sized enterprises (SMEs) – are involved in the network as participant, in its governance and at events. 2) The network has more activities than the global average (data referring to 2009). 3) The network exists at least since 2004. This threshold was chosen pragmatically to allow both for a 'critical mass' of established networks and a 'sufficient' period of engaging with its participants over time. Consequently countries with local networks in the following countries were coded as 'strong' (=1): Argentina, Bulgaria, France, Italy, Japan, Spain and the UK.

Control variables

According to CSR research, most of the drivers for CSR implementation, or UNGC implementation in particular, relate to the visibility and the resources of the firm, as well as the institutional background against which the CSR engagement takes place (Mitchell, Agle, & Wood, 1997). Institutional perspectives on CSR suggest that firms form relevant decisions by drawing on the prevailing norms and benchmarks that are available in a broader social context (Humphreys, 2008). Scholars have identified a variety of institutional factors that inform CSR-related decisions (Campbell, 2007; Ioannou & Serafim, 2010; McWilliams & Siegel, 2001). Due to constraints in scope, I will only use these variables as controls, rather than postulating further hypotheses regarding their impact on UNGC implementation.

Firm size. The increasing scope and economic interdependence of many corporations, generally resulting in higher firm visibility, appears to be an important driver for firms to adopt CSR initiatives (Kostova & Zaheer, 1999; Porter & Kramer, 2006; Vogel, 2010). Previous empirical results suggest that bigger firms are more likely to join the UNGC (Bennie, Bernhagen, & Mitchell, 2007); so far there are no results on whether they are also better implementers. I used the number of employees as a measure of *firm size*. The respective analysis in my sample revealed that the presence of several very large firms leads to a positively skewed distribution. After a natural logarithm (ln) transformation was applied to the number of employees, the distribution resembled a normal distribution. Thus, in this study *firm size* is represented by the ln-transformed number of employees.

Country/region. Campbell (2007) argues that certain national institutional conditions, such as strong and effectively enforced state regulation as well as the presence of strong trade associations or employee associations, promote corporate socially responsible behavior. These conditions are characteristic of the more 'coordinated market economies', as opposed to rather 'liberal market economies' (see Hall & Soskice, 2001; Jackson & Apostolakou, 2010). Moreover, other explanations for cross-country variations in CSR implementation have been suggested, such as the degree of a country's overall development (see Brammer, Pavelin, & Porter, 2006) or embeddedness in international (non-)governmental organization networks (Berliner & Prakash, 2012).

To reduce the number of (dummy) variables, I grouped countries into *regions* in many models. If the company is located e.g. in *Western Europe,* its value is 1 for this region dummy and 0 for all others. Countries represented by 50 or more business participants in the UNGC are listed separately and have not been included in the region dummy variable; for example, *Germany* is listed separately, as it is represented by 82 business participants in the UNGC, and has hence not been included in the *Western Europe* dummy. The dummy *United States of America* has been omitted in the analyses and serves as a reference point for a typical liberal market economy, to which more coordinated market countries can be compared. The regional categorization is based on the composition of macro geographical (continental) regions and geographical sub-regions provided by the UN Statistics Division. In addition, Caribbean and Central American companies have been grouped together into *Central America,* while the regional dummy *MENA* represents countries in the Middle East and North Africa.

Industrial sector. Considering that the main challenges companies within the same industrial sector face are similar, their approaches to CSR may also be similar. The boundaries of different industrial sectors can thus be taken to represent the boundaries of different institutional fields (DiMaggio & Powell, 1983). I grouped the various *sectors* as presented in the dataset obtained from the UNGC into 19 '*supersectors*', following the Industry Categorization Benchmark (ICB), 2011.

Ownership type. Previous studies on the UNGC (2011) or CSR in general (Atkinson & Galaskiewicz, 1988; Graves & Waddock, 1994; Johnson & Greening, 1999) suggest that a company's ownership structure may be another determinant in the adoption of CSR practices. Different types of ownership are also related to a firm's level of visibility and scrutiny, especially as regards private versus public ownership (Baker, 2010), and may therefore influence the degree of UNGC implementation as well. I used four different categories of business *ownership* (*public*, *private*, *state-owned*, *subsidiary*) as dummy variables in all analyses.

Analytical Approaches

I test my hypotheses across a range of models, i.e. ordered logit and probit versus ordinary least squares (OLS) regression, incorporating different assumptions regarding the underlying distribution and/or nature of the dependent variable. First, to closely adhere to the ordinal nature of the dependent variable 'UNGC implementation', ordered logit and probit models appear most appropriate. These models take the ceiling and floor effects into account and avoid potential distortions resulting from subjectively assigned scores to the three UNGC differentiation levels (Hanushek & Jackson, 1977).

In the ordered logit and probit models, the ordinal dependent variable y is viewed as a discrete realization of an underlying latent variable y^*, which is unobservable. The categories of variable y are contiguous intervals on the continuous scale of variable y^*. Whereas the unobservable y^* would satisfy the linear regression model $y^*_i = x'_i\beta + u_i$ (x being the covariate vector, β the vector of regression coefficients and u the error term), the observable y is assumed to arise from y^* as follows: $y_i = j$ if $\alpha_{j-1} < y^*_i \leq \alpha_j$ (the α's representing unknown cutpoints, category boundaries, in the distribution of y*) (see e.g. Lu, 1999). The ordered logit and ordered probit models differ in the underlying distribution. For the (ordered) logit, the distribution F is the logistic cumulative distribution function (cdf) $F(z) = \exp(z)/[1 + \exp(z)]$, whereas for the (ordered) probit, F is the standard normal cdf (Wooldridge, 2012). In Table 3a, models 1 and 2 are based on ordered logit, models 3 and 4 on ordered probit regressions. To interpret the size of effects in ordered logit and probit models, we need to look at marginal effects (Table 3b). The following formula outlines the marginal effect of an increase in regressor x_r on the probability of falling into category j: $\partial p_{ij}/\partial x_{ri} = [F'(\alpha_{j-1} - x'_i\beta) - F'(\alpha_j - x'_i\beta)]\beta_r$. The sum of the marginal effects of each variable on the different categories is always zero.

In addition to the ordered logit and probit models, I perform linear (OLS) regression analyses (models 5 and 6 in Table 3a). The benefit of this type of analysis is the easier interpretability of the β coefficients. However, as the OLS model violates the ordinal-rank assumption of our dependent variable y assuming an interval-scale instead, results need to be interpreted with caution.

Finally, I controlled for the possibility that participation duration itself is nonrandom, i.e. that selection into participating longer in the UNGC as opposed to participating shorter or not at all may be driven by omitted variables. This potential selection problem has long been unaddressed in empirical work on the UNGC (Berliner & Prakash, 2014). Selection effects are present if firms that participate longer in the UNGC have independent tendencies toward different aspects in their social performance compared to firms that participate shorter or not at all. I use the method of instrumental variables (IV) (Wooldridge, 2012) in a set of further linear models to solve the potential selection – i.e. endogeneity – problem, thereby assessing only the exogenous element of UNGC participation duration. A valid instrumental variable (instrument) is correlated with the potentially endogenous independent variable, but has no partial effect on the dependent variable (when the potentially endogenous variable and omitted variables have been controlled for) (Wooldridge, 2012). In other words, the instrument must predict UNGC participation duration of the firms considered in my dataset, but must not influence their level of UNGC implementation.

I identify one variable that fulfills these conditions both theoretically and empirically: the average participation duration per sector of firms that have exited or been delisted from the UNGC. The theoretical intuition behind this instrument draws on arguments from the institutional isomorphism and policy diffusion literatures, stating that organizations tend to mimic the behavior of salient peer groups, for example as regards decisions to participate in voluntary initiatives (Berliner & Prakash, 2014; DiMaggio & Powell, 1983; Simmons, Dobbin, & Garrett, 2006). Recent empirical UNGC literature suggests that a higher number of UNGC participants per sector increases the mimetic pressure on other firms in that sector to participate (Berliner & Prakash, 2014). Building on this argument, I expect that mimetic pressures not only apply for firms' decision to join but also to stay in the UNGC. That is, if firms in a given sector stay longer in voluntary initiatives, other firms in that sector may face mimetic pressures to stay longer as well. As the instrumental variable must only refer to actions of firms other than the reference firms, it only comprises former UNGC participants (as of November 29, 2011). Further considering that reasons of leaving or being excluded from the UNGC appear to be so varied (see also Knudsen, 2011), a relation between the participation duration of exited participations and the level of UNGC implementation appears highly unlikely. Empirical tests support the strength of this instrumental variable. In the applied two-stage least squares model including the instrumental variable, the Cragg-Donald F statistic as a test for the presence of weak instruments (i.e. that the equation is only weakly identified) (Stock & Yogo, 2002) is far above a critical value.

In addition to these IV estimation analyses, I apply yet another model addressing selection issues: the classic Heckman two-step selection model (Heckman, 1979). This model predicts selection to a potentially endogenous treatment (UNGC participation duration) and then controls for unmodeled selection to treatment in predicting the dependent variable (UNGC implementation) (Antonakis, Bendahan, Jacquart, & Lalive, 2010). For this model to work I need to consider both participants and nonparticipants in order to have non-random missing data with regard to the dependent variable. As nonparticipants, I included a dataset of 2926 delisted UNGC business participants obtained at the same time as my main data set used in all other analyses so far (Nov. 29, 2011). The total number of observations thereby amounted to 5187. I controlled for unmodeled selection to treatment in predicting the dependent variable by using again the same instrument as in the IV model: average participation duration per sector of past UNGC business participants. Again, caution is necessary when interpreting the results, as the IV and Heckman models relax the ordinal-scale assumption of the dependent variable, assuming an interval scale instead.

In all analyses, I ensure that standard errors are robust against heteroscedasticity (see Breusch & Pagan, 1979), i.e. that the possible presence of correlated or of not normally distributed residuals does not invalidate my statistical significance tests. I applied a robust variance estimator, typically referred to as Huber-White sandwich estimator (White, 1980), in all models. Models 2, 4, and 6 include the 'strong local network' variable.

RESULTS

Descriptive observations

As displayed in Table 2 (a), almost a quarter (23%) of UNGC business participants implements the UNGC at the 'Learner Platform' stage, the vast majority (71%) reports to be at the 'GC Active' stage, while only a very small percentage (6%) declares an implementation of the UNGC at the 'GC Advanced' level.

---------------------------- Insert Table 2 about here ----------------------------

Table 2 (b) is a correlation matrix for key variables included in this study.

Testing hypothesis 1a

Models 1, 3 and 5 displayed in Table 3a report the effect of the years of participation on – self-assessed – UNGC implementation. In all three models, the variable *years of participation* has a significant positive effect on *UNGC implementation*. Recalling that the *ß* coefficients in the ordered logit (model 1) and ordered probit (model 3) regressions do not show the actual size of the effect, we need to analyze the marginal effects in such models, which are depicted in Table 3b.

---------------------------- Insert Tables 3a and 3b about here ----------------------------

For example, we can see in the ordered probit model that with each additional year of UNGC participation (centered at mean 3.78), the probability for a business participant classifying as Learner decreases by 1.2%, whereas the probabilities of classifying as Active or Advanced increase by 0.8% and 0.4% respectively. In comparison, marginal effects of the presence of a strong local network on the different UNGC differentiation stages are bigger. A UNGC business participant from a country with a strong local UNGC network is 15.5% less likely to classify as Learner, 10.7% more likely to classify as Active and 4.8% more likely to classify as Advanced when compared with UNGC participants from the remaining countries. Marginal effects in the ordered logit model are very similar to the ones in the ordered probit model. However, we can see in the bottom half of Table 3b that the ordered probit model predicts the actual frequencies (of falling into each of the three UNGC implementation levels) slightly better than the ordered logit model. Therefore, these effects are not reported here.

Finally, the OLS model provides further indication that the size of the UNGC participation duration effect is rather small (β = 0.016*** in model 5 and β = 0.015*** in model 6). We have to recall that this effect only reflects the net impact of the length of UNGC participation, i.e. it excludes learning effects from sources outside the Global Compact. We further have to keep in mind that the underlying data is cross-sectional and does not trace the implementation scores of participants over time.

However, by restricting our analysis on time-period subsamples of our data set (not reported in a separate table due to constraints in scope), we can get a more detailed picture on the robustness or variability of the UNGC participation duration effect. To acknowledge for arguments that it might have been mainly industry leaders that joined the UNGC in the first place (see e.g. Mwangi et al., 2013, p. 211), we first exclude companies having joined in 2000, the year of UNGC foundation. Rerunning the analysis performed in model 6 now with this restricted participant base, the UNGC participation duration effect remains highly significant and positive, while its size reduces by a very tiny bit from β = 0.0153*** (full sample) to β = 0.0151***, which is at least consistent with the expected direction of the above stated argument. Further, restricting our analysis on the time period since the introduction of the two UNGC governance reforms in 2003 and 2005, the first introducing the COP policy and the latter formally classifying companies as “non-communicating” or “inactive” in case of non-compliance with the COP policy (Mwangi et al., 2013, p. 207), reveals additional interesting insights. Indeed, the size of the UNGC participation duration effect increases to β = 0.0175*** for the subsample including participants since 2003, and even further to β =

0.0255*** for the subsample of participants since 2005. In both cases, the effect remains highly significant. Finally, restricting our analysis solely on the period around the introduction of the 'Differentiation Programme' (official introduction in 2011, but basic self-assessment of the coverage of all four UNGC issue areas in place already in 2010) yields surprising results. The participation duration effect becomes negative when looking only at participants having joined the UNGC since 2009 (β = 0.060*), or 2010 (β = 0.090^{+}) respectively, 2011 being the latest year considered in this study.

A locally weighted regression analysis, so-called 'lowess smoothing' (see Cleveland, 1979), of *years of participation* on *UNGC implementation* (Figure 2) illustrates that a 'progressive implementation' effect seems to be present especially for the sample of companies having joined prior to 2010, i.e. being participants for more than two years. On the other hand, Figure 2 also illustrates the previously identified negative participation duration effect for the sample of companies having joined since 2010, the last two years considered in this study.

---------------------------- Insert Figure 2 about here ----------------------------

Finally, the results of the instrumental variable models in Table 5, solving the potential selection effect of UNGC participation duration in the UNGC by assessing only its exogenous component, all yield significant positive effects for UNGC participation duration on UNGC implementation. In the two stage least squares (2sls) model 1 this effect is even larger (β = 0. 062^{+}) compared to the OLS models 5 and 6 in Table 3a. However, significance levels for the participation duration effect are reduced in the 2sls model: While remaining within the 10% level when clustering the geography variable at the country level, significance drops slightly beyond the 10% level when clustering at a more regional level as done in models 1 to 6 of Table 3a. In both Heckman models, model 2 using maximum likelihood and model 3 two-step estimation, the size of the participation duration (β = 0.016*** in models 2 and 3) effect remains similar to the OLS models in Table 3a, while still being highly significant. Furthermore, the selection equations (not reported in Table 5) reveal a highly significant effect of the instrumental variable on the likelihood of the dependent variable being observed.

Overall, the *findings* across the great majority of analytical approaches and model specifications *ascertain a significant positive effect of UNGC participation duration on UNGC implementation* and thus provide support for my hypothesis 1a.

Testing hypothesis 1b

The results illustrated in Table 4 provide us with detailed and partially surprising insights on the mediating role of 'strong' local UNGC networks in the relationship between the duration of UNGC participation and the level of self-assessed UNGC implementation. To test for mediation, I followed the three step approach by Baron & Kenny (1986, p. 1177). In step a, I regressed the mediator 'strong local network' on the dependent variable 'UNGC implementation'; in step b, I regressed the dependent variable on the independent variable 'years of participation'; finally, in step c, I regressed the dependent variable on both the independent variable and on the mediator. In all three steps, I included the controls firm size, region, supersector (industry) and ownership type.

Mediation is established if the following conditions hold: the independent variable affects the mediator in step a; the independent variable affects the dependent variable in step b; and, in step c, the mediator must affect the dependent variable. As a consequence of these three conditions being met, with coefficients pointing in the predicted directions, the effect of the independent variable on the dependent variable must be less in the third equation than in the second. In case of perfect mediation, this effect fully disappears (R. M. Baron & Kenny, 1986, p. 1177). Results in Table 4 show that, indeed, these three conditions are met. We have significant effects in all relationships. However, the reduction of the effect of the independent variable on the dependent variable in the third equation, compared to the second, is rather small:

in the ordered probit model, *ß* reduces from 0.044 to 0.043 (Table 4a), the marginal effects reducing, for example, from 0.0082 to 0.0080 for the Active level (Table 4b); in the OLS model, *ß* reduces from 0.016 to 0.015. This very small reduction occurring when including the mediator variable means that the effect of UNGC participation duration on the level of UNGC implementation is only mediated to a very small extent by the presence of strong local UNGC networks. Nevertheless, these results do suggest that there is at least a very small, i.e. partial, mediation of 'strong local networks' between 'years of UNGC participation' and 'UNGC implementation'. While this *lends support for hypothesis 1b*, the size of the effect may be regarded too small to be meaningful.

I have so far hypothesized a mediating role of 'strong local networks'. A related effect of a third variable on the relationship between an independent and a dependent variable is the one of a moderator (R. M. Baron & Kenny, 1986, p. 1174). The argumentation for the presence of a moderation effect slightly differs from the one for a mediation effect. While mediators explain how or why a certain effect between two variables occurs, moderator variables specify when certain effects will hold. This difference is reflected in different approaches of testing moderation compared to mediation. To increase our knowledge on the role of strong local UNGC networks, I thus also considered its potential moderating effect in further analyses.

The results in Figure 3 show that this moderating effect is insignificant for the total group of 'strong' networks (Argentina, Bulgaria, France, Italy, Japan, Spain, UK). However, we obtain interesting insights when looking at each of these countries separately. For Spain, the 'strong' local network with the highest number of business participants, we obtain a highly significant positive effect on the 'years of participation – level of implementation' relationship (see lower left graph of Figure 3). Similarly, I find such an effect for France (see lower right graph of Figure 3), the local network with the second most business participants, and for Italy. A reason for this effect to be present especially in the two countries with the largest local networks may be the need to achieve a ‘critical mass’, which I will discuss later on. Recalling that French business participants overall self-assess significantly lower levels of UNGC implementation (see Table 3), it appears now particularly interesting to note that UNGC implementation “progress” over the duration of participation appears much stronger in France than in countries without ‘strong’ local networks. We can now understand that the overall negative ‘French business UNGC implementation’ effect (Table 3) mainly stems from much lower self-assessments especially by *recently joining* French businesses.

---------------------------- Insert Figure 3 about here ----------------------------

Finally, I obtain insignificant moderating effects for Japan (positive), a country with a ‘strong’ local network that has been also identified as very efficient in previous studies (Rasche, 2012) and for Argentina, Bulgaria and the UK (negative). Overall, similar to my findings regarding the presence of a mediation effect, the findings regarding the potential presence of a moderation effect do not provide clear results. At least, we can recognize that none of the countries with ‘strong’ local networks (as categorized here) displays a significant negative moderating effect, yet three of these networks (among them the two biggest ones) display a significant positive one.

General determinants of UNGC implementation (control variables)

Table 3a also provides the results for other determinants of *UNGC implementation*. All four types of determinants (*national institutional context*, *size*, *sector*, *ownership type*) influence *UNGC implementation*.

Firm size. In all three models, *firm size* appears to significantly and strongly increase *UNGC implementation*. This result tends to add to previous studies stating that higher visibility and capacity of large companies lead to a higher likelihood of joining voluntary CSR initiatives (Bennie et al., 2007), yet seems to contradict with recent arguments about CSR implementation at SMEs (Baumann-Pauly, Wickert, Spence, & Scherer, 2013). I will outline the need for further investigations addressing potential ambiguities in previous research on firm size in the 'limitations and future research' section.

National institutional context. My results show that UNGC implementation can vary significantly across countries. However, this *variation seems not to depend on the type of national business systems as postulated by previous scholars* (Jackson & Apostolakou, 2010; Khanna, Kogan, & Palepu, 2006). Indeed, implementation scores of companies in the liberal market economy system of the UK do not significantly vary from scores in the US. On the other hand, most companies from countries with a coordinated market economy do not implement significantly lower than the US benchmark. In fact, of such countries, only French companies are implementing the UNGC significantly lower than the US, whereas companies from Japan, Italy and Spain are implementing significantly higher.

Industrial sector. Surprisingly, only very little variation of *UNGC implementation* can be explained by the context of a firm's industry sector. Taking the *automobiles & parts* sector as the benchmark category of a high impact sector, company levels of *UNGC implementation* in most other sectors do not significantly differ. The only significant result is that companies in the *utilities* sector implement the Global Compact significantly higher than companies in the *automobiles & parts* sector.

Ownership type. Finally, my results suggest that the type of ownership explains variation in *UNGC implementation*. Public companies implement the Compact significantly higher than private ones. These results are hence in line with prior literature arguing that stronger visibility and dispersion of ownership in publicly owned companies is a strong driver for UNGC implementation.

DISCUSSION AND CONCLUSION

This study focuses on the largest voluntary CSR initiative worldwide, the UN Global Compact. Its purpose is to enrich our knowledge of the impact of the initiative on the business participants' implementation of the ten UNGC principles. Consequently, this study addressed the following research questions: *Does longer UNGC membership duration lead to higher levels of UNGC implementation? How does the presence of strong local UNGC networks mediate this relationship?* My findings, discussed in detail below, contribute to the UNGC literature by examining the role of participation duration, local stakeholder engagement opportunities and institutional context in explaining UNGC implementation. In addition, I provide theoretical and empirical insights on the validity of the new 'Differentiation Programme' measure.

UNGC participation duration. While scholars have predominantly referred to problems with 'weak' standard designs (Behnam & MacLean, 2011; Berliner & Prakash, 2012), my findings suggest that voluntary CSR initiatives may indeed impact organizational practices, even in the absence of strict compliance and enforcement measures. Overall, I found UNGC implementation to be higher for longer UNGC participants than for newer ones. Consequently, my results suggest that UNGC participation duration has a positive, albeit moderate, effect on the level of UNGC implementation. This study hence complements our knowledge of UNGC implementation derived from the few existing quantitative studies about the impact of the UNGC over the time of participation (McKinsey, 2007; UNGC, 2011), which had to rely on non-criteria based perceptions. In the 2010 UNGC implementation survey, only 16% of the business participant respondents stated that the Compact has a minimal impact on CSR policies and practices (5% replied that the Compact has no impact). The vast majority (79%), however, stated that the Compact has at least a moderate impact on such behavior (UNGC, 2011, p. 16). The UNGC study by McKinsey (2007, p. 18) reported similar findings: here, 59% of respondents, which were CEOs of companies participating in the Global Compact, replied that they had incorporated environmental, social and governance issues into core strategy “much more“ than five years ago.

Here, I assess the net impact of UNGC participation by drawing upon the objectively observable measure *years of participation*. My findings across all different types and specifications of analytical models, including instrumental variable approaches, suggest that the duration of UNGC participation has a much lower impact on the level of UNGC implementation (marginal effects in the ordered logit and probit models around 1%; OLS coefficient $\beta = 0.02$) than the McKinsey (2007) study and the UNGC (2011) implementation survey suggest. In this respect, we may need to scale down the very optimistic expectations regarding the UNGC’s impact on its business participants’ CSR-related behavior that appear in previous studies. To obtain a better picture on the UNGC ‘net’ impact in future surveys, the UNGC could add questions controlling for the impact of other CSR initiatives (see also Rasche et al., 2013).

Moreover, my findings provide additional insights on the effect of ‘first joiners’ as well as the various governance reforms by looking at time-period subsamples. On the one hand, the UNGC participation duration effect becomes slightly smaller, remaining positive and significant, if we exclude companies having joined the initiative in the first year. While this result is in line with previous arguments regarding the likelihood of industry leaders joining the UNGC in the first place (Mwangi et al., 2013), the UNGC participation duration effect holds. On the other hand, this effect becomes considerably bigger again when restricting the analysis on the time period since the refinement of the UNGC accountability structure through the 2003 introduction of the COP policy and 2005 introduction of ‘company delistings’ (Mwangi et al., 2013). This finding may provide initial evidence that these governance reforms increased the impact of the UNGC on its business participants, thereby highlighting the value of accountability structures in voluntary CSR programs (Behnam & MacLean, 2011; Berliner & Prakash, 2014).

More generally, this finding contributes to the discussion about the essence and design of global voluntary CSR initiatives. Several studies of such initiatives tended to restrict their analysis on a static perspective, i.e. they focused on the accountability and performance related aspects of a standard at a given point in time. For example, such a perspective led Deva (2006) to criticize the UNGC principles as being too vague and thus hard to implement, or Behnam and MacLean (2011) to conclude that the UNGC invites participants to decouple actual practices from formal principles. This understanding may focus too much on the performance of standards, e.g. by comparing nonadopters with adopters (often irrespective of the duration of adoption) (A. A. King & Toffel, 2007; Wijen, 2014). According to this view, due to the risk of symbolic adoption in case of weak guidance and accountability of a global voluntary standard, standards "need to be designed and implemented in such a way that adopters will substantively comply with standard requirements" (Wijen, 2014, p. 306) (D. P. Baron & Lyon, 2012; Campbell, 2007; B. G. King & McDonnel, 2012). In contrast, this study suggests that voluntary global standards may have a much more developmental character than critics applying a static performance based view on standards suggest. I showed that the duration of participation (rather than simply joining) positively affects the level of UNGC implementation. I further outlined how the UNGC refined its guidance and accountability structure of the years of existence, and provided first indication that this gradual refinement may have further increased the progress of participants over time. In sum, these findings suggest that implementation criteria and exact goals are not fully predefined at the time of standard foundation yet may be continuously adjusted and refined along the way (see also Haack, Schoeneborn, & Wickert, 2012; Schembera, Haack, & Scherer, 2015).

Strong local UNGC networks and general determinants of UNGC implementation. My study lends at least partial support to theoretical arguments on the effect of local stakeholder engagement and networking opportunities. In line with previous theoretical arguments, the presence of strong local UNGC networks has a significant positive effect on the UNGC implementation as regards business participants in these countries (see Mwangi et al., 2013; Rasche, 2012; Vormedal, 2005). However, the effect of these strong networks on progressive UNGC implementation over the duration of UNGC participation seems rather limited. The mediating (and potential moderating) effect of strong local UNGC networks between UNGC participation length and UNGC implementation is small, if significant at all. However, the moderating analysis revealed at least greater 'learning' effects of business participants within the two largest local UNGC networks, Spain and France. While French business participants assess significantly lower levels of UNGC implementation than their Spanish neighbors, in both countries participants assess significantly more progress as regards the implementation of the UNGC compared to countries without active and long established local networks. These observed patterns may lend support for recently emerging arguments regarding the necessity of achieving a 'critical mass' of participants to promote global CSR practices (see Barkemeyer & Napolitano, 2009; Haack et al., 2012; Kell, 2005). In line with these studies, one may argue that voluntary CSR initiatives first need to be concerned with building up a large group of participants by keeping the implementation criteria low; only thereafter a tightening of criteria and progress among participants may be expected (Christensen, Morsing, & Thyssen, 2013; Haack et al., 2012).

The new 'Differentiation Programme'. I discussed the validity of the UNGC 'Differentiation Programme' by consulting academic assessment models (Baumann-Pauly & Scherer, 2013; Behnam & MacLean, 2011) as well as empirical data on sustainability compiled by independent third parties (RobeccoSAM and BHP Brugger und Partners). As regards content, the UNGC 'Differentiation Programme' displays – in most regards – a good fit with the academic corporate citizenship assessment tool of Baumann-Pauly and Scherer (2013). However, my analysis revealed certain 'loopholes' in the former, namely a so far insufficient integration of three central elements of UNGC implementation: ‘alignment of incentive structures’, ‘provision of training’ and ‘installation of a complaints procedure’. Therefore, to further increase the potential impact of the initiative, I recommend to close these ‘loopholes’ by obliging participants aiming for the GC Advanced level to incorporate these three CSR elements in all four UNGC issue areas.

Regarding the risk of bluewashing or decoupling in the UNGC, recent developments like the introduction of the ‘Differentiation Programme’ or public ‘delistings’ as part of the COP policy constitute improvements of the UNGC’s accountability structure and suggest an updated analysis of the former application of decoupling characteristics to the UNGC by Behnam and MacLean (2011). Furthermore, comparisons of the self-assessed UNGC data with third-party assessments did not indicate that the findings in this study might be crucially distorted by the presence of ‘decoupling’ or social desirability bias.

With regard to further determinants of UNGC implementation, my findings suggest that the generally more visible public companies report higher levels of implementation than their private counterparts, which is in line with institutional theory and resource dependency arguments (Campbell, 2007; Hart, 1995). More controversially with regard to previous research though, the results in this study suggest that the level of UNGC implementation rises with increasing firm size (measured by the number of employees). On the one hand, this finding seems to be in line with previous studies analyzing the determinants of joining voluntary CSR initiatives (Bennie et al., 2007; Porter & Kramer, 2006; Vogel, 2010). Furthermore, literature on the particular (CSR) issue corruption suggests that SMEs face greater challenges in implementing corruption controls and are more likely to be involved in corrupt practices (Aterido, Hallward-Driemeier, & Pagés, 2011; Bennedsen, Feldmann, & Dreyer Lassen, 2009). On the other hand, there is also a prominent stream of recent CSR literature suggesting that, despite their limited resources, SMEs may pursue an approach of solving societal problems that is not necessarily inferior to the one of large MNCs (Baumann-Pauly et al., 2013; Jenkins, 2004; Murillo & Lozano, 2006; Wickert, 2014). As I will highlight below, more research on the role of firm size with regard to the implementation of CSR (issues) appears necessary to address this controversial debate.

Limitations and future research

Inevitably, this study has its limitations, some of which might serve as a basis for future research. A first limitation results from the fact that I had to rely on the information provided by the participants themselves in order to assess CSR implementation on a large quantitative basis. As outlined above, the current accountability structure may not necessarily promote decoupling self-assessed from actual implementation. If, however, the central aim of the researcher is to explore the gap between self-assessed and actual CSR implementation in the best possible manner, the inclusion of qualitative studies becomes inevitable, but at the cost of limited generalizability. Despite this shortcoming, conducting qualitative studies on one or more of the companies examined by Baumann-Pauly and Scherer (2013) could help researchers trace the development of decoupling over time.

Another constraint is the largely cross-sectional nature of the data. This means that the possibility of reverse causality cannot be ruled out. While I, at least partly, controlled for arguments regarding the higher likelihood of industry leaders joining the UNGC in the first year(s) of existence, as well as potential effects stemming from the continuously increased UNGC accountability structure, my findings do not take into account time-dependent CSR implementation progress that stems from sources other than the UNGC. To analyze the full spectrum of a company's CSR implementation progress over time, longitudinal future research is needed drawing on a representative panel of UNGC participants to identify changes over time incorporating a mix of quantitative and qualitative analyses (see Rasche et al., 2013, p. 22). This research could then also analyze in depth the conditions under which local UNGC networks, beyond globally organized learning events, enhance the implementation of the UNGC principles, and how this local network effect unfolds over the duration a company participates in the UNGC.

With regard to the general design and development of voluntary CSR programs, future research is needed to further investigate the relationship and possible tradeoff between refining a standard's accountability structure and maintaining a 'critical mass' of participants over time (Haack et al., 2012). Finally, the current analysis should be complemented with studies analyzing the impact of the UNGC since the introduction of the 'Differentiation Programme'. This study's initial, yet surprising, findings regarding the level of UNGC implementation of participants having joined the UNGC very recently may suggest that this program has led to shifting motivations for UNGC participation. Arguably, the opportunity to select an Advanced level of UNGC implementation had positive effects on the perceived legitimacy of the initiative and now attracts (again?) increasingly companies that have already achieved high CSR performance and are now able to differentiate themselves from lower CSR performers in the UNGC.

Last but not least, combining insights from studies on CSR and organizational corruption on the role of firm size presented above, we face a puzzle of partially contradicting expectations. Future research is therefore needed to address the questions arising from this puzzle: What are the actual organizational differences between SMEs and MNCs in organizing CSR and/or particular CSR issues like corruption? Why are there differences and how did they develop over time? Based on these findings, can we identify whether one approach of fighting corruption is 'inferior' to the other? By answering these questions, future research should then be able to define the appropriate role of global voluntary initiatives in addressing and/or accommodating for such differences related to firm size.

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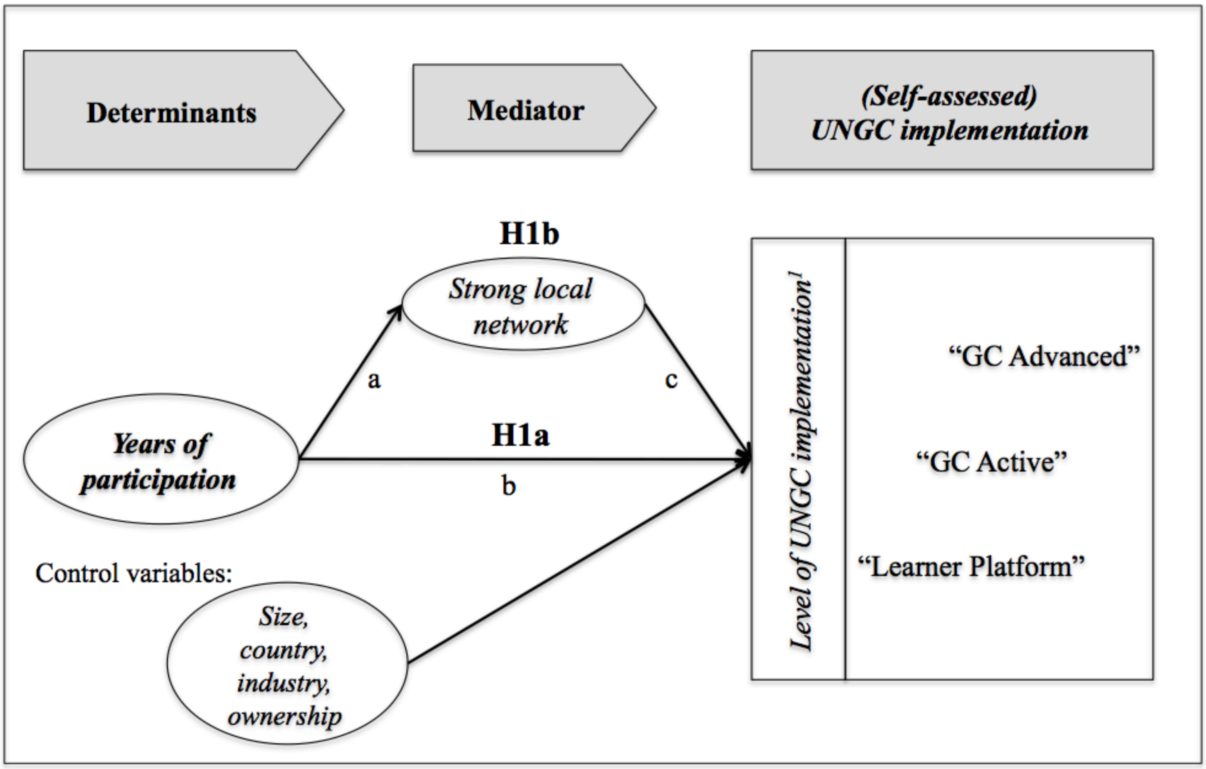
Figure 1: Model of UNGC implementation



[1]Levels of UNGC implementation as self-assessed by business participants according to the UNGC Differentiation Programme

Figure 2: Level of UNGC Differentiation by years of participation

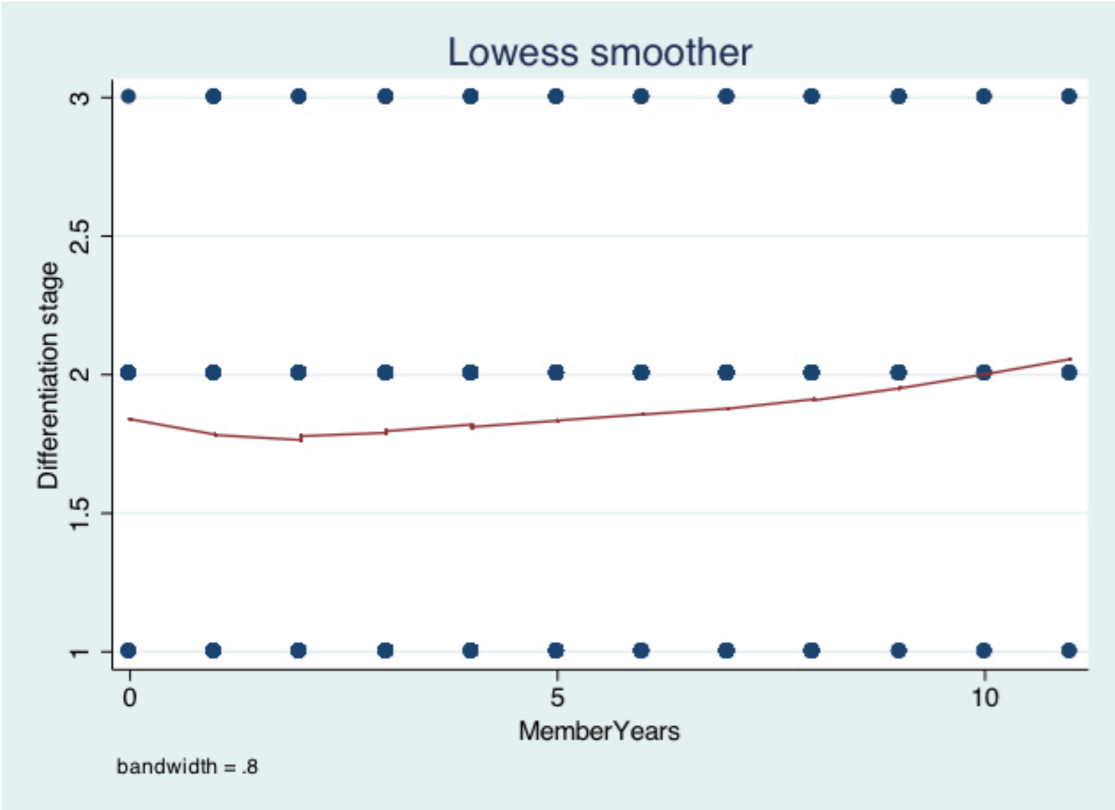
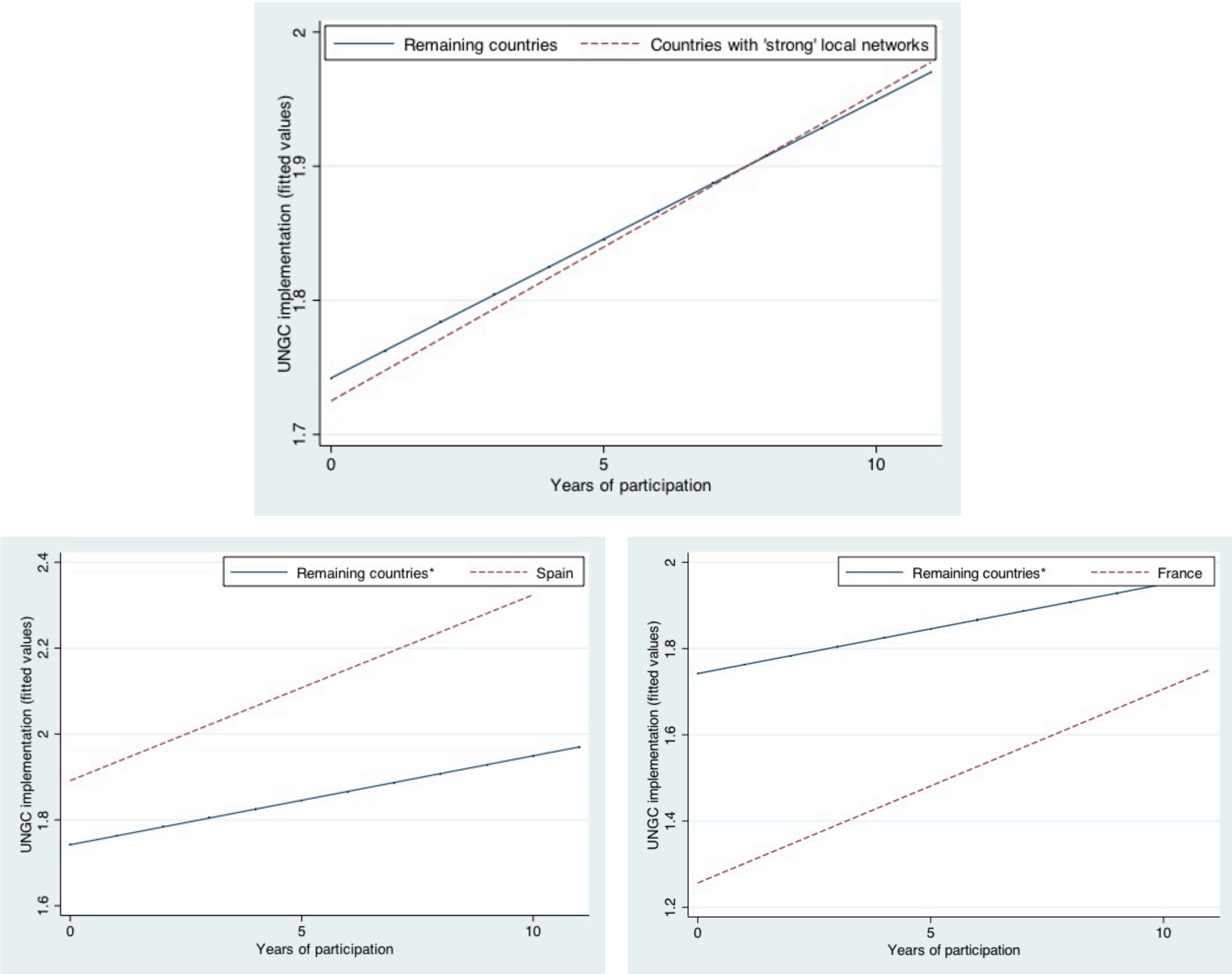


Figure 3: Moderating effect of ‚strong' local UNGC networks



*(not classified as 'strong' local network country)

	Dependent variable	**UNGC implementation**				
Moderators	**Independent variables**	*Regression Coefficient*	*Std. error*	*N*	*R^2*	*Adj. R^2*
Countries with 'strong' local UNGC networks	1) 'Strong' local network countries	-0.017	0.036	2807	0.013	0.011
	2) Years of participation	0.021	0.005			
	Interaction (of 1 and 2)	**0.002**	0.007			
	Constant	1.742***	0.021			
Spain	1) Spain	0.149**	0.046	2166	0.051	0.050
	2) Years of participation	0.021***	0.004			
	Interaction (of 1 and 2)	**0.023***	0.010			
	Constant	1.742***	0.020			
France	1) France	-0.486***	0.057	2129	0.077	0.075
	2) Years of participation	0.021***	0.005			
	Interaction (of 1 and 2)	**0.024***	0.011			
	Constant	1.742***	0.021			

* p<0.05, ** p<0.01, *** p<0.001

Table 1: Matching the CC "Civil" stage criteria with the UNGC Advanced criteria[a]

Framework CC dimension CC criteria	**CC assessment tool "Civil" stage** (see Haack et al., 2012)	**UNGC Advanced implementation criteria** (updated version, 2012)
Commitment		
Strategic integration/ Leadership support	• CC significant value in company's mission statement and all other documents • Respecting stakeholders' demands is central to the company's mission. • CC used by top management to justify company decisions. • Legal compliance and compliance with the Code is equally important.	• Criterion1: The COP describes key aspects of the company's *high-level sustainability strategy* in line with Global Compact principles • *Criterion 5 (9/13/17): The COP describes robust commitments, strategies or policies in the area of human rights (labour/ environmental stewardship/ anti-corruption)* • *Best practice: Statement of policy expressing commitment…treat […] as a legal compliance issue …*
CC-Coordination	• CC-Committee is drafting the CC strategy in line with the overall company strategy. • Recommendations are forwarded to the Executive Committee, which decides over the implementation on a periodic basis. • A CC- department is in charge of coordinating the implementation process. • Top management is directly and regularly involved.	• Criterion 2: The COP describes effective *decision-making processes and systems of governance* for corporate sustainability • *Criterion 6 (10/14/(18)): The COP describes effective management systems to integrate the human rights (labour/ environmental/ anti-corruption) principles* • *Best practice: Allocation of responsibilities and accountability within the organization*
Structures & Procedures		
Alignment of policies and procedures	• All elements of the CC- commitment translated into policies and procedures. • These are the basis for all business processes, including the management of the global supply chain. • Policies and procedures regularly reviewed and revised; feedback from internal and external stakeholders is integrated.	• Criterion 5 (9/13/17): (see above) • Criterion 6 (10/14/18): (see above) • Criterion 21: The COP describes implementation of the Global Compact principles in the *value chain*
Alignment of incentive structures	• Incentive structure is fully aligned with the commitment to CC • Important factor for assessing individual performance. • Decisions over promotion and bonus depend on respect for CC principles.	• *Criterion 2: (see above)* • *Best practice: Goals and incentive schemes for management (C-suite) to promote sustainability strategy in line with Global Compact principles*
Provision of training on CC requirements	• Training is provided to all employees to prepare for decision-making situations and encourage discussion. • Training courses are adapted to the company's context • Specific groups within the organization are targeted for follow-up courses. • Company shares training material • Initiates the development of training material for innovative topics.	• *Criterion 6 (10/14/18): (see above)* • *Best practice: Internal awareness-raising and training on human rights (labour/ environmental stewardship/ anti-corruption) for management and employees*
Creation of a complaints procedure	• Confidential complaints channel is provided • Easy access guaranteed	• *Criterion 6 (10/14/18): (see above)* • *Best practice: Operational-level grievance mechanisms for those*

	• Procedure is communicated • Cases are analyzed to further improve the systems. • Reporting is a duty.	*potentially impacted by the company's activities*
Evaluation of CC implementation	• Impact assessment methods of CC initiatives are developed in multi-stakeholder forums. • Methods are revised regularly • Results are discussed publicly (both, positive and negative).	• Criterion 7 (11/15/19): The COP describes effective *monitoring and evaluation mechanisms* of human rights (labour/ environmental stewardship/ anti-corruption) integration • Criterion 24: The COP is independently verified by a credible third-party
Reporting on CC	• CC-data is fully integrated in the annual report. • CC-data is produced based on KPIs that are gathered regularly • GRI guidelines are followed. • Regular reporting on good practices and lessons learnt in the context of CC. • Transparency of targets, means and measurements.	• Criterion 8 (12/16/20)[b]: The COP describes key *outcomes* of human rights (labour/ environmental stewardship/ anti-corruption) integration. • Criterion 22: The COP provides information on the company's *profile and context of operation* • Criterion 23: The COP incorporates high standards of *transparency and disclosure* • Criterion 24: The COP is *independently verified* by a credible third-party

Quality of stakeholder relationships	• Engagement with stakeholders on a regular/need basis.
	• Dialogue with stakeholders is seen as a necessary seismograph for society's changing awareness of particular issues.
	• Civil society's expertise is regarded as a valuable asset in order to problem-solve.
		• Criterion 3: The COP describes engagement with all important *stakeholders*
		• *Criterion 6 (10/14/18): (see above)*
		  • *Best practice: Involve meaningful consultation with potentially affected groups and other relevant stakeholders*
		  • *Best practice: […] risks should not be limited to the company itself (material) but should also include risks to right-holders.*

Level of participation in collaborative CC-initiatives	• Membership in CC- initiatives • Including verification organizations • Share CC good practice examples and lessons learned. • Proactive engagement and efforts to integrate companies that are not yet members.	• Criterion 4: The COP describes actions taken in support of *broader UN goals and issues*

[a]The criteria for UNGC Advanced implementation listed in Table 2 are based on the '2012 Update' of the "Criteria for the GC Advanced Level" (acc. to Baumann-Pauly & Scherer, 2013). The 24 criteria remain exactly the same as in the original 2011 version underlying this study's UNGC self-assessment dataset, while some best practices have been adapted. My analysis is not affected by the updates in the 2012 version (the only exception see below[b]), and is hence equally valid for both the original 2011 and the updated 2012 version.
[b]While key outcomes still need to be described, GRI reporting is no longer required in the '2012 Update' as compared to the original 2011 version (Criterion 8).

Table 2: Descriptive statistics

a) Tabulation of frequencies per level of UNGC implementation

UNGC implementation	Frequency	Percent	Cumulated
Learner	663	23.62	23.62
Active	1,985	70.72	94.34
Advanced	159	5.66	100.00
Total	2,807	100.00	

b) Correlation matrix*

	i	ii	iii	iv
i UNGC implementation	1.0000			
ii Years of participation	0.1114	1.0000		
iii Employees (ln)	0.2271	0.3484	1.0000	
iv Strong local network	0.0027	0.0918	-0.0305	1.0000

*Categorical control variables (region/country, industry, ownership type) excluded

Table 3a: Results of ordinal (logit and probit) and linear (OLS) regression analyses

UNGC implementation	Ordered logit Model 1	Model 2[a]	Ordered probit Model 3	Model 4[a]	OLS Model 5	Model 6[a]
Years of participation	0.076***	0.074***	0.044***	0.043***	0.016***	0.015***
Strong local network		1.050*		0.578*		0.211*
Controls						
Size (employees, ln)	0.177***	0.179***	0.104***	0.105***	0.037***	0.037***
Region or country ("USA" omitted)						
Africa	0.028	0.025	0.069	0.068	0.017	0.017
Asia, excl:	-0.548	-0.549	-0.280	-0.280	-0.106	-0.106
China	-0.403	-0.410	-0.214	-0.217	-0.082	-0.083
India	-0.552	-0.552	-0.296	-0.295	-0.106	-0.105
Korea	0.354	0.349	0.233	0.230	0.076	0.075
Japan	0.675*	-0.374	0.388*	-0.190	0.127*	-0.083
Central America	-0.051	-0.051	-0.033	-0.033	-0.004	-0.004
Eastern Europe	-0.264	-0.344	-0.094	-0.134	-0.039	-0.055
Turkey	0.777*	0.775*	0.461*	0.460*	0.162*	0.162*
Latin America, excl:	0.186	0.184	0.127	0.126	0.045	0.045
Argentina	-0.234	-1.283*	-0.069	-0.646*	-0.030	-0.240*
Brazil	-0.145	-0.146	-0.030	-0.030	-0.017	-0.017
Colombia	-0.329	-0.334	-0.125	-0.127	-0.050	-0.050
MENA	0.955*	0.952*	0.562**	0.561**	0.198**	0.198**
Oceania	-0.185	-0.185	-0.105	-0.105	-0.036	-0.036
Western Europe, excl:	0.175	0.174	0.111	0.110	0.037	0.037
Austria	-0.119	-0.126	-0.052	-0.056	-0.019	-0.021
Denmark	0.401	0.400	0.259	0.259	0.091	0.091
France	-1.466***	-2.515***	-0.765***	-1.342***	-0.308***	-0.518***
Germany	0.006	0.005	0.024	0.023	0.003	0.003
Italy	1.126*	0.077	0.612*	0.035	0.216*	0.005
Spain	1.405***	0.357	0.799***	0.222	0.277***	0.066
Sweden	-0.116	-0.115	-0.015	-0.014	-0.016	-0.016
Switzerland	0.043	0.043	0.032	0.031	0.009	0.009
UK	-0.315	-1.364*	-0.155	-0.733*	-0.059	-0.270*
Canada	-0.277	-0.280	-0.138	-0.140	-0.052	-0.053
Mexico	-0.032	-0.033	-0.007	-0.008	-0.003	-0.003
Supersectors ("Automobiles & Parts" omitted); only significant results reported						
Utilities	1.177**	1.170**	0.667**	0.663**	0.231**	0.229**
Ownership type ("Private company" omitted)						
Public company	0.400**	0.396*	0.207**	0.205*	0.076**	0.075**
State-owned company	-0.111	-0.110	-0.058	-0.058	-0.018	-0.017
Subsidiary	0.509*	0.510*	0.267*	0.266*	0.100*	0.100*
Intercept cut1	0.384	0.385	0.261	0.263		
Intercept cut2	5.057***	5.062***	2.927***	2.931***		
Constant					1.442***	1.441***
R^2					0.150	0.151

N = 2280 (for all 6 models). All coefficients are standardized ß coefficients.
[a]Including 'strong local network' dummy variable
* p<0.05, ** p<0.01, *** p<0.001

Table 3b: Ordered logit and probit model marginal effects and predicted probabilities

Dependent variable	Ordered logit marginal effects for UNGC implementation level ...			Ordered probit marginal effects for UNGC implementation level ...		
	‚Learner'	‚Active'	‚Advanced'	‚Learner'	‚Active'	‚Advanced'
Years of participation	-0.011**	0.008**	0.003**	-0.012***	0.008***	0.004***
Strong local network	-0.153*	0.111*	0.042**	-0.155*	0.107*	0.048*
Size (employees, ln)	-0.026***	0.019***	0.007***	-0.028***	0.019***	0.009***
Further controls (region, industry sectors, ownership type) not reported here						
Predicted probabilities[b]	21.83	71.92	6.26	21.97	71.88	6.15
Actual frequencies[b]	23.62	70.72	5.66	23.62	70.72	5.66

N = 2280. All coefficients are standardized ß coefficients.
[a]Marginal effects predicted at mean (of participation years) 3.78.
[b]in %
* p<0.05, ** p<0.01, *** p<0.001

Table 4: Mediation analysis

a) Three-step test for ‘strong local network’ mediation (R. M. Baron & Kenny, 1986)

	Ordered probit coefficients			OLS coefficients		
Path[a]	a	b	c	a	b	c
Dependent Variable	SLN[b]	UNGC impl.	UNGC impl.	SLN[b]	UNGC impl.	UNGC impl.
Years of participation	0.267*	0.044***	0.043***	0.002*	0.016***	0.015***
Strong local network			0.578*			0.211*
Controls (region, industry sectors, ownership type) not reported here						
Intercept cut1	11.447	0.261	0.263			
Intercept cut2		2.927***	2.931***			
Constant				0.003	1.442***	1.441***
R^2				0.978	0.150	0.151

N = 2280. All coefficients are standardized ß coefficients.
[a]Paths a, b and c are illustrated in Figure 1.
Strong local network
* p<0.05, ** p<0.01, *** p<0.001

b) Ordered probit marginal effects

UNGC	Path b			Path c		
implementation	‘Learner’	‘Active’	‘Advanced’	‘Learner’	‘Active’	‘Advanced’
Years of Participation[a]	-.0118***	.0082***	.00364***	-.0116***	.0080***	.00355***
Strong local network				-.1549*	.107*	.048*
Controls (region, industry sectors, ownership type) not reported here						

N = 2280. All coefficients are standardized ß coefficients.
[a]Marginal effects predicted at mean (of participation years) 3.78.
* p<0.05, ** p<0.01, *** p<0.001

Table 5: Instrumental variable analyses

UNGC implementation	**2SLS** **Model 1**	**Heckman selection model** **Model 2 (Maximum Likelihood estimation)**	**Heckman selection model** **Model 3 (two-step estimation)**
Years of participation	0.062+	0.016***	0.016***
Strong local network	0.037	-0.047	-0.040
Controls			
Size (employees, ln)	0.022+	0.038***	0.038***
Country (“USA” omitted; only significant results for countries with more than 3 observations reported)			
Czech Republic	0.338***		
Denmark	0.110+	0.144+	0.168*
Ecuador	0.388+	0.438*	0.456*
Estonia	0.345***		
France	-0.394***	-0.257***	-0.263***
India	-0.202+		
Indonesia	-0.320*	-0.312*	-0.330*
Jordan	0.235+		
Italy		0.255**	0.241**
Japan		0.235**	0.261**
Kazakhstan	0.254**		
Lithuania	-0.299+		
Luxembourg	0.452**		
Netherlands			0.177+
Philippines	-0.781*		
Russian Federation	-0.531+	-0.593**	-0.606***
Réunion	0.367***		
Serbia	-0.324*		
Singapore	-0.203+		
Slovakia	0.117+		
South Africa		0.198+	0.207+
Spain	0.211*	0.337***	0.334***
Syrian Arab Republic	0.339***	0.380**	0.416**
Turkey	0.179*	0.157+	0.153+
United Arab Emirates	0.292***		
Supersectors (“Automobiles & Parts” omitted)			
Banks	0.242+		
Construction & Materials	0.172+		
Health Care	0.170+	0.135+	0.144+
Utilities	0.242**	0.271***	0.290***
Ownership type (“Private company“ omitted)			
Public company	0.024	0.075**	0.075**
State-owned company	-0.003		
Subsidiary	0.109*	0.103*	0.104*
Constant	1.367***	1.358***	1.317***
	R^2 = 0.109	Athrho Constant = 0.147 lnsigma Con. = 0.783***	Mills Lambda = 0.105
N	2261	5187	5187

All coefficients are standardized ß coefficients.
$^{+}$ p<0.1, * p<0.05, ** p<0.01, *** p<0.001

Appendix 1: The ten Global Compact principles

Area	Principles
Human rights	P1: Businesses should support and respect the protection of internationally proclaimed human rights; and P2: make sure that they are not complicit in human rights abuses.
Labor conditions	P3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; P4: the elimination of all forms of forced and compulsory labour; P5: the effective abolition of child labour; and P6: the elimination of discrimination in respect of employment and occupation.
Environment	P7: Businesses should support a precautionary approach to environmental challenges; P8: undertake initiatives to promote greater environmental responsibility; and P9: encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	P10: Businesses should work against corruption in all its forms, including extortion and bribery.

Source: UNGC (2012a)

Appendix 2: Analyzing the self-assessed UNGC implementation 'construct'

Approach/data	Analysis and findings
Theoretical analysis: Updated assessment of • the UNGC accountability structure based on • the decoupling framework by Behnam and MacLean (2011)	The framework indicates that standards which are a) *clearly defined*, b) *have a high cost of adoption*, c) *require evidence of compliance* and d) *levy significant sanctions for non-compliance* are typically less likely to be decoupled. While their former analysis suggests that the Global Compact lacks all these characteristics, the present analysis suggests an updated conclusion: a) Clear guidance on implementation is provided by the 'Differentiation Programme'. b) The cost of adoption has increased since the introduction of regular reporting requirements, i.e. the COP policy. c) All information that companies submit is made publicly available and collaborations with certification schemes have been put in place; both of these measures may have increased compliance even in the absence of direct monitoring. d) Companies that fail to comply with the UNGC become publicly delisted and thus may risk damage to their reputation; however, direct sanctions for non-compliance are still lacking. All four characteristics are thus covered at least partially, a) being fully met. According to this theoretical framework, the likelihood of decoupling has, at least, decreased since the authors' first assessment.
Empirical analysis of relationship between • inclusion in the Dow Jones Sustainability Index (DJSI) World and • the level of self-assessed UNGC implementation	I consulted one of the most prominent sustainability assessments, the Dow Jones Sustainability Index (DJSI) World (2011), provided by the Zurich based RobecoSAM. Of the world's 2,500 largest publicly traded companies considered in the assessment, the top 10% of companies within each industry are included in the index (see SAM, 2012, p. 4). 360 of the universe of companies considered in the DJSI assessment are included in this study's UNGC dataset. For these 360 UNGC business participants potentially eligible for DJSI World inclusion, I investigated the relationship between actual inclusion in the DJSI World – coding 1 if included and 0 if not - and the level of UNGC implementation as described in the data and method section. Before interpreting the results, we should note that the two measures have different underlying sustainability assessment criteria, so we should not expect the relationship between the two to be very strong. First, I ran an ordered probit analysis. The marginal effects suggest that, of the 360 companies, those included in the DJSI are 17% more likely to classify as Advanced in the UNGC 'Differentiation Programme', 5% less likely to classify as Active and 12% less likely to classify as Learner. Furthermore, the marginal effect in a (standard) probit analysis, excluding UNGC participants at the Active level, suggests that, of the remaining 107 firms, those included in the DJSI are 37% more likely to classify as Advanced (compared to Learner) in the UNGC 'Differentiation Programme'. All effects are highly significant ($p<0.001$).

	Applying yet another model, the results of a linear regression analysis suggests that there is a highly significant positive relationship ($ß$ = 0.292***) between companies actually included in the DJSI World and those that have self-assessed higher levels of UNGC implementation.
Empirical analysis of relationship between • external verification of UNGC participant information and • the level of self-assessed UNGC implementation	Demonstrating comprehensive levels of external verification is an essential part of advanced UNGC implementation (see Table 1: Criterion 24). I thus consulted data on the level of external verification, or reliability, with regard to UNGC participant information as provided by BHP Brugger and Partners, Zurich, Switzerland (BHP, 2013). Among other criteria, BHP assesses on a level from zero to three the extent to which the information made available on the company websites (e.g. sustainability reports, annual reports, company policies or code of conducts) convince the analyst that the company made great efforts to assure reliability of the information. Zero points are allocated if no means of verification could be found, whereas a maximum of three points is allocated if the company displays strong evidence of external verification. Following the procedure above, I first ran an ordered probit analysis. The marginal effects suggest that, for the 51 companies assessed by BHP and included in my dataset, a one-unit increase of the BHP reliability score increases the probability of classifying as Advanced in the UNGC 'Differentiation Programme' by 14% more, and reduces the probability of classifying as Active or Learner by 5% and 9% respectively. The effects for the Advanced and Learner level are significant at $p<0.1$, while the effect for the Active level is insignificant. Finally, excluding UNGC participants at the Active level, the marginal effect in a (standard) probit analysis suggests that, for the remaining 22 firms, a one-unit increase of the BHP reliability score increases the probability to classify as Advanced by 29% (compared to Learner). The effect is significant at $p<0.05$.

SECOND DISSERTATION PAPER

WHEN THERE IS NO CHOICE: WHY A LEGITIMACY SHOCK TRIGGERS MORE RADICAL CHANGE THAN REGULATORY SANCTIONS IN COMPLEX ANTI-CORRUPTION ENVIRONMENTS

Stefan Schembera

stefan.schembera@business.uzh.ch

Andreas Georg Scherer

(Coauthor)

andreas.scherer@business.uzh.ch

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WHEN THERE IS NO CHOICE: WHY A LEGITIMACY SHOCK IS MORE LIKELY TO TRIGGER RADICAL CHANGE RATHER THAN REGULATORY SANCTIONS IN COMPLEX ANTI-CORRUPTION ENVIRONMENTS

Abstract

In this paper, we study the corruption control strategies of three multinational companies (MNCs) before, during and after the disclosure of organizational corruption. In particular, we explore why after the transgression some MNCs exceed regulatory expectations and choose strategies that substantially influence their environment by defining a new benchmark of anti-corruption practices, while others follow a more gradual and limited approach. We build on the concept of legitimacy in institutional theory and focus on three strategies that organizations may adopt to regain legitimacy: isomorphic adaptation, moral reasoning and strategic manipulation. Exploring the choice and appropriateness of these strategies, we found that when a transgression is accompanied by a strong legitimacy shock, transgressors perceive to have no other choice but to react both radically and instantly. On the strength of this finding, we identify two distinct extremes of strategic manipulation: decoupling and substantial influence.

Keywords

Corrupt acts, institutional complexity, regaining legitimacy, reintegration, transgression

INTRODUCTION

Research on organizational corruption has focused mainly on the antecedents of this phenomenon (Ashforth & Anand, 2003; Finney & Lesieur, 1982; Simpson, 2002; Staw & Szwajkowski, 1975; Sutherland, 1949). More recently, scholars started to examine how organizations respond after the disclosure of corruption (Bertels, Cody, & Pek, 2014; Pfarrer, Decelles, Smith, & Taylor, 2008). Pfarrer et al. (2008) provide valuable insights into how corrupt organizations can become 'reintegrated' after the disclosure of corruption. Reintegration is defined as a process by which individuals or organizations repair their relationships with key internal and external stakeholders that are damaged by acts of individual or corporate wrongdoing (Goodstein, Butterfield, Pfarrer, & Wicks, 2014). Pfarrer et al. (2008) conceptualize a four-stage reintegration process and argue that passing through these stages successfully may increase the speed and likelihood of reintegration. Building on this model, Bertels et al. (2014) observed that certain regulatory procedures affect organizational reintegration after a transgression. Such analyses tend to assume that corporations operate in an institutional environment with relatively homogeneous demands.

However, extant literature on reintegration seems to neglect that in today's globalized economy many multinational corporations (MNCs) operate in heterogeneous environments where they are 'exposed to multiple and sometimes conflicting institutional demands' (Pache & Santos, 2010, p. 455). MNCs with a home base in countries demanding highly developed anti-corruption standards often operate in host countries with different societal and institutional conditions (Pache & Santos, 2010; Scherer, Palazzo, & Seidl, 2013) and often strong demands for engagement in corrupt practices (Quah, 2011; TI, 2012). As a result of these contradictory demands across different institutional environments MNCs operate under conditions of complexity (Child & Rodrigues, 2011; Smith & Lewis, 2011) making it difficult for them to reintegrate.

Literature addressing such complexity in organizational environments has proliferated in recent years (see also Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Jones & Fleming, 2003; Kostova & Zaheer, 1999; Scherer et al., 2013). The quest for legitimacy is commonly identified as a key driver for organizations to respond to demands in their environment (Greenwood et al., 2011; J. W. Meyer & Rowan, 1977; Scherer & Palazzo, 2007). Legitimacy, i.e. the social acceptance of business organizations and their activities, is based on a "generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate" (Suchman, 1995, p. 574). A lack of legitimacy threatens or even impedes an organization's access to resources and its support by important constituents (Ashforth & Gibbs, 1990). Consequently, maintaining legitimacy is regarded as a precondition for the existence and survival of organizations (Ashforth & Gibbs, 1990; Suchman, 1995).

Institutional theorists have discussed a range of strategies to manage legitimacy in case of contradictory demands (Oliver, 1991; Scherer et al., 2013; Suchman, 1995). One such strategy is referred to as 'strategic manipulation'; that is organizations try to alter the content of institutional expectations and influence their promoters e.g. though strategic public relations (Pache & Santos, 2010). Scholars tend to regard 'decoupling', i.e. creating a gap between formal organizational policies and actual daily practices (Boxenbaum & Jonsson, 2008; J. W. Meyer & Rowan, 1977), as one form of strategic manipulation (Scherer et al., 2013). Although previous legitimacy literature acknowledges that transgressions, crises and routine failures lead to concerns about legitimacy (see e.g. Ashforth & Gibbs, 1990; J. W. Meyer & Rowan, 1977; Scherer et al., 2013, p. 262), it remains largely unaddressed how exactly crises such as corruption transgressions induce organizations to adopt legitimacy strategies. We therefore focus on legitimacy strategies of MNCs that aim to restore corporate legitimacy after their involvement in corruption cases and facilitate their reintegration with their institutional environment (or with multiple stakeholders, see Pfarrer et al., 2008; Sethi, 1979; Shapiro, 1991). Understanding this process is crucial, considering that recent transgressions e.g. at Siemens, ABB, Alstom, Daimler or MAN (see Gebhardt & Müller-Seitz, 2011; Scherer et al., 2013) have shown that corruption is still endemic in MNCs.

Many MNCs have formulated anti-corruption policies and committed themselves to detecting and stopping corrupt practices – for example by participating in various international anti-corruption initiatives. Despite such efforts and the fact that over the last few decades parts of the institutional environment have given priority to the fight against corruption, organization-wide corruption of a large scale is still a significant phenomenon, as the 2006–2008 Siemens scandal has shown (Gebhardt & Müller-Seitz, 2011; GibsonDunn, 2013; OECD, 2012a). Before the disclosure of widespread organizational corruption, Siemens had already established relevant anti-corruption policies and was a member of Transparency International (TI) and the UN Global Compact (UNGC). After the disclosure, however, it became evident that the company policies had not been sufficiently embedded within organizational structures and processes – for example through awareness-building, aligning incentive structures and establishing mechanisms of enforcement and control. In view of the above, the main research question underlying this study is: *How do disclosed transgressions of MNCs (e.g. cases of organization-wide corruption) trigger legitimacy strategies and organizational change processes of MNCs operating in complex environments?*

Our purpose is to contribute to the literatures on managing organizational corruption and on responses to institutional complexity by theorizing a model of corporate reintegration in a complex and changing anti-corruption institutional environment. We generate our theory inductively and apply a longitudinal comparative case-study design focusing on three MNCs – ABB Ltd., Daimler AG and Siemens AG – whose engagement in transnational corruption was exposed in the recent past. We find that all three transgressors used very different strategies to regain legitimacy due to specific combinations of transgression and reintegration process characteristics. First, the Siemens case revealed that the company faced a ‘legitimacy shock’ triggered by very strong social and regulatory burdens. In case of a legitimacy shock, all types of organizational legitimacy (pragmatic, moral and cognitive; see Suchman, 1995) are radically diminished. This legitimacy shock, affecting also personally Siemens employees worldwide, triggered the company to develop and implement instantly and radically a variety of internal corruption controls, as well as to promote externally its new practices as a benchmark in the field. We refer to such an organizational response as a ‘substantial influence’ strategy. Second, in the absence of such a legitimacy shock, Daimler took the time to follow a gradual reintegration strategy and could learn from the leading practices at Siemens. However, the lack of sufficient social sanctions in the Daimler case made additional external regulatory pressure necessary to finally achieve a comprehensive compliance program. Third, the case of ABB revealed that having faced legal proceedings twice in the US (the first time in 2004), ABB employed legitimacy practices years before Siemens and Daimler. Surprisingly, although regulatory sanctions were stronger than social ones, we found that the company focused on socially oriented rather than administrative measures.

Based on these findings we argue that it is necessary to distinguish between two extremes of strategic manipulation, i.e. ‘decoupling’ and ‘substantial influence’, in order to accurately explain organizational responses to institutional complexity. We further propose that in case of a legitimacy shock the transgressor may focus on a ‘substantial influence’ strategy to regain legitimacy through radical organizational change and attempts to reduce the complexity in its institutional environment. In the absence of such a shock, we suggest that reintegration is more likely to follow a gradual process in line with existing theoretical models, and that repeated regulatory pressure appears necessary to trigger substantial organizational changes. Finally, we discuss the success factors of applying multiple versus single strategies in regaining legitimacy.

INSTITUTIONAL THEORY PERSPECTIVES ON TRANSGRESSIONS, CORRUPTION CONTROL AND LEGITIMACY STRATEGIES

Organizational corruption and changes in the institutional environment

Corruption can be generally defined as the 'misuse of an organizational position or authority for personal gain or organizational (or sub-unit) gain' (Anand, Ashforth, & Joshi, 2004, p. 40). In line with existing studies on corruption from the institutional theory perspective that we apply (Gebhardt & Müller-Seitz, 2011; Misangyi, Weaver, & Elms, 2008), we refer to 'misuse' as not only departures from regulatory norms, but also departures from accepted social norms and/or cognitive elements. We focus on systemic corruption at the level of the organization (see Ashforth, Gioia, Robinson, & Treviño, 2008, p. p. 673) and restrict our analysis to transnational cases of corruption that involve at least one foreign public official.

Initiatives and legislation condemning transnational corruption are generally a recent phenomenon. For a long time, existing legislation on e.g. cases of bribery extending beyond national borders was mostly not enforced (GibsonDunn, 2013; Weismann, Buscaglia, & Peterson, 2014). The Foreign Corrupt Practices Act (FCPA) may constitute the most prominent example in this regard: with this act, passed by the US Congress already in 1977 and amended in 1988, the corporate corruption of foreign officials became legally prohibited and penalized, taking legislation on corporate corruption to a new level. This law covers all American companies, as well as foreign companies with securities traded on exchanges in the US. Although the FCPA has been in existence for more than three decades, the US Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) began to enforce it to a significant extent and to prosecute trespassers only recently (GibsonDunn, 2013). There are currently at least 78 corporations under investigation for possible FCPA violations and a total of \$3.74 billion has been paid by 58 companies to settle corruption charges (Wayne, 2012). Many other countries have enacted similar laws. Nichols (2012, p. p. 362) provides a list of more than 50 countries that criminalize transnational bribery and expects more countries to join this list. For instance, the United Kingdom enacted its ambitious UK Bribery Act in 2010.

Besides regulatory changes, the fight against corruption also involves normative and cultural-cognitive changes. Various international organizations like the Organization for Economic Cooperation and Development (OECD) and the United Nations (UN) have established international conventions (e.g. the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions or the UN Convention against Corruption) that criminalize transnational corruption. Similarly, multi-stakeholder initiatives (e.g. the UNGC or the World Economic Forum's Partnering Against Corruption Initiative) and non-governmental organizations like TI provide guidance on the fight against corruption (for good overviews of changes in the institutional environment to fight corruption, see: Gebhardt & Müller-Seitz, 2011; Hess, 2012). Despite these developments, however, there is no shortage of corruption transgressions involving MNCs. In the following, we will outline how certain kinds of corporate corruption transgressions may result in a legitimacy shock, as opposed to a mere legitimacy threat, and how the presence of such a shock can determine the legitimacy strategies the MNCs involved in such transgressions can be expected to apply.

Legitimacy strategies in complex anti-corruption environments

From a neo-institutional point of view, organizational survival is determined by the extent to which an organization is aligned with the institutional environment. In that respect, MNCs try to portray themselves as legitimate organizations by incorporating institutional elements of both internal and external origin (Kostova, Roth, & Dacin, 2008). When an organization's actual operations and social expectations of how it should operate are mismatched, the organization needs to adapt to the perceptions of its constituents. Incorporating global institutional demands relating to anti-corruption, however, poses serious challenges to MNCs: while the enforcement of legislation against transnational corruption originates mainly in developed

Western countries, many developing countries in which MNCs operate still present a high corruption risk (TI, 2012). Consequently, MNCs can easily become involved in corrupt practices, for example along their supply chains, that conflict with institutional demands in their home countries and hence diminish a corporation's legitimacy.

Scholars suggested to distinguish three broad types of legitimacy (see Suchman, 1995). (1) Pragmatic legitimacy "rests on the self-interested calculations of an organization's most immediate audiences" (Suchman, 1995, p. 578). It can be maintained or regained, for example, by complying with anti-corruption regulations of a number of countries (Nichols, 1999). (2) Moral legitimacy is based on normative evaluations of the organization and is granted if the organization's behavior is considered the 'right thing to do' (see also Aldrich & Fiol, 1994). (3) Cognitive legitimacy, in turn, is distinct from evaluation in that it refers to the "mere acceptance of the organization as necessary or inevitable based on some taken-for-granted cultural account" (Suchman, 1995, p. 582). How organizational responses to regain legitimacy may vary depending on which types of legitimacy are threatened remains largely unaddressed in previous reintegration studies (see Bertels et al., 2014; Pfarrer et al., 2008).

Moreover, many earlier works on organizational responses to institutional pressures tend to assume that organizations have to choose one strategy to manage legitimacy (see e.g. Oliver, 1991). Various approaches like the resource-based view (Christmann, 2000; Hart, 1995), discourse ethics (Stansbury, 2009) or institutional theory (Delmas, 2002; Schaefer, 2007), support the impression that a corporation only applies one legitimacy strategy at a time (Scherer et al., 2013). More recently, scholars have begun to discuss how a complex environment may lead to multiple legitimacy strategies – for example, the variety of responses to institutional complexity has been discussed in the context of divergent institutional 'logics' (Greenwood et al., 2011; Kraatz & Block, 2008). Another stream of literature discusses the 'paradox' of having to accommodate several conflicting legitimacy strategies at the same time (see e.g. Lewis, 2000; G. Schreyögg & Steinmann, 1987; Smith & Lewis, 2011).

By incorporating complexity in strategic response models, scholars acknowledged that corporations are required to manage trade-offs, engage in negotiations (Scherer et al., 2013; Zietsma & Lawrence, 2010) and acquire distinct capabilities (Jarzabkowski, Smets, Bednarek, Burke, & Spee, 2013; Li, Peng, & Macaulay, 2013). Generally, more recent studies tend to discern a greater degree of choice and flexibility in organizational responses (S. M. Ansari, Fiss, & Zajac, 2010; S. Ansari, Reinecke, & Spaan, 2014; Durand, 2012; Quirke, 2013; Smets, Morris, & Greenwood, 2011) and to explore the possibility of companies adopting simultaneously multiple legitimacy strategies (Scherer et al., 2013; Georg Schreyögg & Sydow, 2010; Smith & Lewis, 2011). Scherer et al. (2013) suggest that in heterogeneous environments, posing conflicting demands, the parallel use of different and potentially conflicting legitimacy strategies is more successful than the use of a single strategy.

Scholars have identified three different types of legitimacy strategies: *isomorphic adaption*, *moral reasoning* and *strategic manipulation* (Driscoll, 2006; Oliver, 1991; Scherer et al., 2013; W. Richard Scott, 2007; Suchman, 1995). By using an *isomorphic adaption* strategy, the organization adapts its organizational practices to social expectations – e.g. an MNC may choose to report increasingly on corruption in its annual reports if it perceives that this is an emerging practice in its industry or the country in which it operates. By using a *moral reasoning* strategy (Palazzo & Scherer, 2006; Scherer et al., 2013), organizations may enter a discourse with focal stakeholders and societal groups about the acceptability of the organization's status quo and behavior. In this process of open communication and argumentation no party dominates from the beginning the process and the resolution to be found (Palazzo & Scherer, 2006; Scherer et al., 2013; Suchman, 1995). For example, joining a multi-stakeholder initiative like the UNGC to discuss with peers ideas on how to fight corruption at the initiative's network meetings may be part of a moral reasoning strategy. Third, as indicated above, companies may use a *strategic manipulation* strategy by influencing how its constituents perceive the way in which the organization appears to benefit them (Pache & Santos, 2010). The key instruments associated with manipulation strategies are strategic public relations and impression management tactics that involve advertising campaigns, dissemination of (misleading) information or lobbying (Fombrun, 2001; Oliver, 1991; Scherer et al., 2013). Arguing that organizations that use a manipulation strategy do not change the practices criticized by some of their stakeholders, scholars highlight the parallels of this strategy with the concept of decoupling (Scherer et al., 2013, p. 266) (see also Palazzo & Richter, 2005; Weaver, Treviño, & Cochran, 1999). 'Decoupling' was introduced in the institutional theory literature by the seminal work of J. W. Meyer and Rowan (1977) and refers to a gap between formal structures and actual practices. The application of decoupling as a strategy to respond to conflicting institutional demands assumes that organizational structures and activities can be protected from evaluation (J. W. Meyer & Rowan, 1977, p. 357). The recent wave of disclosed corruption at MNCs involving large-scale investigations (see e.g. Gebhardt & Müller-Seitz, 2011) suggests that protection from evaluation is not always possible.

Disclosed transgressions and strategies of regaining legitimacy

Institutional theory scholars acknowledge that legitimacy concerns arise particularly when routines fail and a transgression or crisis occurs (see e.g. Ashforth & Gibbs, 1990; J. W. Meyer & Rowan, 1977; Scherer et al., 2013, p. 262). However, how such events trigger particular legitimacy strategies that aim to reintegrate the company into its environment remains largely unaddressed in this literature. Our own aim is to close this gap by exploring how distinct elements of transgressions influence organizational strategies for regaining legitimacy in the institutional environment. A transgression generally refers to an unethical act that places its stakeholders at risk (Coombs, 1995). We look at – disclosed – corrupt behavior as one particular type of an unethical act, or transgression (see also Pfarrer et al., 2008). Transgressions constitute a particular type of crisis. While organizational recovery has been discussed in the crisis literature with a focus on cases situated in the legal domain, such as accidents or product liability recalls (e.g. Benoit, 1995), a transgression includes the moral and potentially even the cognitive domain. Moreover, in contrast to many crisis situations, corrupt acts/transgressions involve a diffuse set of victims including indirect ones (see also Lamin & Zaheer, 2012). Finally, reintegration after disclosed corrupt acts may be distinct from reintegration after crises in general, given that a dominant template for organizational strategies meeting the rising expectations in a complex (anti-)corruption environment has yet to be evolved – potentially by the transgressor him/herself.

In general, we expect that the costs of organizational change and the consistency of societal expectations are two central factors that affect the choice of legitimacy strategies (Scherer et al., 2013). Regarding the former factor, and in line with economic theory (e.g. Hart, 1995), we observe that Western enforcement agencies, especially the SEC and the DOJ (in the US), play a key role in enforcing anti-corruption regulations, such as the FCPA, and imposing severe monetary sanctions on transgressors. These sanctions often involve further major costs related to the implementation of compliance requirements. For example, enforcing the FCPA often entails Deferred Prosecution Agreements (DPAs), i.e. proceedings that are closed only after the successful completion of the agreed terms (see e.g. Gebhardt & Müller-Seitz, 2011; Schwarz, 2011). As a result, what 'resources' are available to the transgressor is crucial to choosing the appropriate legitimacy strategies (see Child & Rodrigues, 2011; Paul J DiMaggio, 1988; Misangyi et al., 2008).

As to the latter factor, and in line with institutional theory (see Greenwood et al., 2011; Pache & Santos, 2010; Scherer et al., 2013), a disclosed transgression may influence how the transgressor perceives the consistency of societal expectations regarding corruption. Some demands may be more prominent or urgent than others – for example, in the course of tackling a transgression, the demands of (Western) authorities that a transgressor actively fights corruption may be more pressing than the demands the same organization faces for informal payments in a developing country. In particular, the prominence of certain anti-corruption demands that an organization is called to meet in the course of a corruption transgression may be amplified in cases of unprecedented transgressions (putting the transgressor into the role of a 'first mover'), or when the transgressor is prominent and thus highly visible to stakeholders (Pfarrer et al., 2008).

Despite this close relation between a corruption transgression and the two central factors that influence the choice of legitimacy strategies, few studies have explored how specific aspects of such transgressions interact with the organization's responses in a complex anti-corruption environment. We found one empirical study on the reintegration of Siemens in its institutional environment, which, however, was published soon after the transgression and was not yet able to sufficiently analyze the effectiveness and success of Siemens's response strategies (Gebhardt & Müller-Seitz, 2011). More importantly, the study was restricted to a single company. Our study hence aims to identify whether and why MNCs choose different strategies of regaining legitimacy after a transgression, how different elements of a transgression moderate the choice of legitimacy strategy, which factors play a crucial role during the reintegration process, and ultimately how successful the different MNC strategies are in the eyes of key stakeholders. Having shed light on these questions, we will attempt to theorize a framework for regaining legitimacy in the institutional environment after a corruption transgression. Due to the lack of sufficient existing research and data, we decided to conduct our investigation inductively on the basis of a qualitative and interpretive approach (Gioia, Corley, & Hamilton, 2013).

METHODS

Research design and sampling

We applied a multiple dynamic case design to compare and interpret our findings, which cover the period 2012–2014, across our target firms (Yin, 1984), as well as over time and space (Gerring, 2007), and aggregated data where appropriate. In selecting our sample, we followed the sampling approach (see Strauss & Corbin, 1998) of choosing 'extreme' cases wherein the phenomenon of interest (here, the disclosed corruption transgression) is 'transparently observable'. In all cases, we were able to interview firm representatives towards the end of the regulatory reintegration process (the period in which the transgressors operate under the Deferred Prosecution Agreement – the DPA – imposed by the SEC or the DOJ) and after the termination of these regulatory burdens.

We selected only cases of MNCs implicated in recent transnational transgressions that involved the bribery of foreign public officials but differed in key aspects, most notably subsequent social and regulatory burdens. Our assumption was that the analysis of transgressions that were similar in some respects but differed in others would differentiate our conclusions about the reintegration process and the choice of legitimacy strategy in each case (see Doz, 1996; Pfarrer et al., 2008). According to the literature, the central aspects of a transgression and the subsequent reintegration process include the prominence and timing of the transgression and transgressor (Pfarrer et al., 2008), the costs related to fines, the bribes paid and the investments in organizational change (see e.g. Gebhardt & Müller-Seitz, 2011). Access to resources is also identified as a key element of the reintegration process (e.g. Battilana, Leca, & Boxenbaum, 2009; Lawrence, 1999).

At the same time, we aimed to control for factors other than transgression characteristics: We focused on firms from the high technology manufacturing sector, generally known to face moderate to high corruption risks (TI, 2011). Furthermore, we chose only MNCs headquartered in Switzerland or Germany. Both countries are perceived to have similarly low corruption risks (TI, 2012), have similarly strict anti-corruption legislation and are at an advanced stage of implementing anti-corruption measures that derive from the OECD Convention Against Corruption (see OECD, 2012a).

Because the phenomenon we are studying is transnational, we examined it both from the corporate headquarters' perspective and from the perspective of different subsidiaries. We chose to conduct interviews in Australia to assess the transgressors' perspectives in a country that is geographically very distant, yet displays similarly low levels of corruption risk to those in Switzerland and Germany (see TI, 2012). Like Switzerland and Germany, Australia has also reached the third phase of implementing the OECD Anti-Bribery Convention (OECD, 2012c). Lastly, we added the perspective of corporate and non-corporate actors from a region with mostly high levels of perceived corruption (TI, 2012): Southeast Asia (Indonesia Malaysia, Myanmar, Philippines, Thailand; with Singapore as an exception in this region).

On the basis of our sampling approach, we initially selected the following companies: Siemens AG (Siemens), Daimler AG (Daimler) and Asea Brown Bovery Ltd (ABB). In addition, we include anecdotal evidence on anti-corruption processes at other MNCs obtained from primary (e.g. interviews or annual reports) and secondary (e.g. previous research) data sources. This allows us to follow Eisenhardt's recommendation (1989, p. 537) of analyzing four to ten cases, while maintaining a manageable scope.

Case context

Siemens is among the leading technology companies worldwide, operating in more than 190 countries and headquartered in Munich and Berlin, Germany. The company has four business divisions, listed according to decreasing turnover: energy, industry, infrastructure and cities, and healthcare (Siemens, 2013). Siemens has a total of around 370,000 employees and its annual turnover generally exceeds €80 billion (Siemens, 2013). According to the SEC's complaint, “between March 12, 2001, and September 30, 2007, Siemens created elaborate payment schemes to conceal the nature of its corrupt payments, and the company’s inadequate internal controls allowed the conduct to flourish” (press release, SEC, 2008a). Siemens paid “more than $1.4 billion in bribes to government officials in Asia, Africa, Europe, the Middle East, and the Americas [and] the pattern of bribery […] was unprecedented in scale and geographic reach” (press release, SEC, 2008a).

Daimler is a multinational automotive corporation with headquarters in Stuttgart, Germany, and locations in every continent; it focuses on Europe, Asia and North America. The company has five divisions, of which the two most important are Mercedes-Benz Cars and Daimler Trucks (Daimler, 2013). Daimler’s annual turnover of over €100 billion (Daimler, 2013) exceeds that of Siemens, although the company has fewer employees (around 275,000) and operates in fewer countries. According to the SEC, “Daimler paid at least $56 million in improper payments over a period of more than 10 years. The payments involved more than 200 transactions in at least 22 countries. Daimler earned $1.9 billion in revenue and at least $90 million in illegal profits through these tainted sales transactions, which involved at least 6,300 commercial vehicles and 500 passenger cars” (SEC, 2010c).

ABB is one of the leading firms worldwide in energy and automation technologies. The company has its headquarters in Zurich, Switzerland, and operates in more than 100 countries (ABB, 2013). ABB has around 146,000 employees and an annual turnover of around $40 billion (ABB, 2013). On September 29, 2010, the SEC charged “ABB Ltd with violations of the Foreign Corrupt Practices Act (FCPA) for using subsidiaries to pay bribes to Mexican officials to obtain business with government-owned power companies, and to pay kickbacks to Iraq to obtain contracts under the U.N. Oil for Food Program” (SEC, 2010a). According to the SEC “ABB’s subsidiaries made at least $2.7 million in illicit payments [...] to obtain contracts that generated more than $100 million in revenues for ABB” (SEC, 2010a).

Measurement

Organizational corruption controls. The literature on organizational control and on corruption control provides valuable insights into the concepts and processes associated with the control of organizational corruption. Lange (2008) recently merged these two streams of literature to conceptualize an 'Organizational Corruption Control Circumplex'. Importantly, Lange (2008) included the organizational environment in his model. He distinguishes between a social/cultural and an administrative/regulatory dimension of corruption control, which is a central aspect of legitimacy according to institutional theory (see e.g. W. Richard Scott, 2007). Apart from environmental controls, Lange lists three types of social/cultural controls and another three types of administrative controls.

Lange calls for the deeper exploration of how and why certain types of controls may be applied in combination (2008, p. p. 724). He posits that these social/cultural and administrative controls are compatible. However, a potentially critical limitation of his model, especially with regard to the relationship between environmental and intra-organizational corruption controls, is that it considers organizational corruption controls in a rather static context. For the purpose of our study, we put this model in a dynamic context by treating a disclosed corruption transgression as a form of environmental sanction and studied the impact of such sanctions on how other types of controls are combined and applied. The different control types are listed in the right column of Table 1. In line with Lange (2008), we expect that social sanctions may trigger predominantly social/cultural forms of control whereas legal/regulatory sanctions may trigger administrative forms of control.

Given that our paper deals with corruption cases that included settlements with the SEC, we also considered the criteria for 'Effective Compliance and Ethics Program[s]' of the US Sentencing Commission (USSC, 2010, p. §8B2.1.). Finally, in order to sufficiently address corruption controls that go beyond regulatory requirements, we also consider interactive and/or voluntary types of organizational measures as depicted in the corporate citizenship assessment model by Baumann-Pauly and Scherer (2013). Table 1 illustrates the synthesis of these three models (Organizational Corruption Control, US Sentencing Commission Guidelines, Corporate Citizenship) depicting the central dimensions of corruption control in the left and middle columns and the respective references to the original models in the right column.

---------------------------------- Insert Table 1 about here ----------------------------------

Corruption transgression sanctions. Building again on the model for corruption control that Lange (2008) developed and on previous research on corruption transgressions (Gebhardt & Müller-Seitz, 2011; Pfarrer et al., 2008), we distinguish two central types of institutional sanctions in the context of corruption transgressions: a) *regulatory sanctions* – fines and costs involved, and b) *social sanctions* – prominence/negative media coverage of transgression.

In our study, regulatory sanctions mainly consist in the disgorgement and penalty payments listed in the settlement agreements between our case firms and the SEC but include other legal expenses – e.g. for lawsuits, lawyers or consultants. We identified the level of social sanctions mainly according to the extent of negative press coverage our transgressors received in the course of disclosure, settlement and reintegration. A key determinant of the prominence of each transgression and the extent of the subsequent social sanctions is the timing of the transgression, i.e. whether it was the first of its kind in a certain industry or region (see Pfarrer et al., 2008). Applied to the legitimacy literature (Scherer et al., 2013), a) may refer to costs or organizational change and b) to the consistency of social expectations.

Data collection and analysis

Following established guidelines for the constant comparison of data (Glaser & Strauss, 1967), we analyzed our data as we collected them. To reduce biases wherever possible, we use interview as well as documentary data, which we both triangulated by incorporating various perspectives (Eisenhardt, 1989; Flick, 1992) as summarized in Table 2. Given that our interview data spans across three years including repeated interviews with several actors, and our documentary data even covers the period from 2003 to 2014, we are able to analyze the organizational situation before, during and after the respective corruption transgressions.

------------------------------ Insert Table 2 about here ------------------------------

From 2012 to 2014, we conducted 40 interviews in total each lasting between 45 and 90 minutes. Central informants at the headquarters of each case firm – and a lawyer and FCPA expert at Gibson Dunn – were interviewed annually or around some special event at the target firms. We interviewed representatives of the case firms and third parties like lawyers, judges, auditors, NGOs and officials in the MNC headquarter region. To further triangulate our data, we conducted interviews with corporate and non-corporate actors in distant subsidiaries located in countries with low (Australia) and high (Southeast Asian countries) perceived corruption risks (TI, 2012). In addition, we consulted academics like Christian Gebhardt, an experienced researcher who investigated the Siemens corruption case and whose (2011) study serves as a starting point for central parts of our analysis. The fact that some of our informants served 'multiple roles' facilitated the comparison of our case firms. For example, our informant at Gibson Dunn was involved in the regulatory proceedings at Siemens and Daimler; a central Siemens representative serves both as compliance officer (CO) for the Building Technologies division, headquartered in Switzerland, and as regional CO for the Swiss Siemens subsidiary; one interviewee in the Philippines who had worked for ABB became a sales representative for Siemens.

Key sources of documentary data comprise company sustainability reports, codes of conduct, regulatory proceedings and press releases. Here, we compare documents that reflect the company perspective, such as company reports on sustainability, with documents that reflect the public perspective, such as media reports on corruption risks (provided by RepRisk AG) or other data on perceived corruption (provided by TI). Crucial for our purpose are especially the documents relating to criminal proceedings (e.g. complaints, DPAs, monitor reports) provided by the SEC and the DOJ. Three undergraduate and postgraduate students helped us with the initial analysis of the company documents we consulted for our analysis. Our analysis comprises three main steps:

1. At the beginning of our analysis in 2012 we considered a variety of documentary sources (Yin, 1984), ranging from regulatory proceedings related to the FCPA to company reports and media reports, to form a picture of the corruption transgressions our case firms faced. On that basis, we jointly developed the guideline for the first interviews at the companies' headquarters and with the FCPA expert at Gibson Dunn, focusing on what characterized each transgression and on the initial reactions of the transgressors. To minimize potential interviewer bias, we conducted these first interviews together and reflected on the key events of each transgression and the actions of the transgressors directly after each interview.

Building on these first insights, we developed our interview guideline further. As regulatory proceedings came towards the end in the course of 2013, we gained further insights into the transgressors' reintegration processes and observed corporate actions in 'real time'. Such 'real time' changes (e.g. in key personnel or the organizational structures) were addressed in subsequent interviews. We also drew on those first interviews and documentary data to conduct the first round of open coding (Corbin & Strauss, 1990; Glaser & Strauss, 1967).

2. In the next step, we turned to academic literature to relate our first empirical data to relevant theoretical concepts and frameworks. Iterative comparisons between information provided by respondents and scholarly insights are a central aspect of grounded theory-building. For example, the repeated references to a 'shock' (at Siemens), 'external pressure' (at Daimler), and a 'complex world' (at ABB) helped us identify dominant themes that we incorporated in our theoretical model. To develop this model, we adhered to recommendations for building grounded theory on the basis of a two-order code scheme (Corley & Gioia, 2004;

Gioia et al., 2013; Ravasi & Phillips, 2011). According to this approach, first-order codes reflect as closely as possible the language used by the informant. In contrast, second-order codes are mainly based on the analysis and synthesis of first-order codes. The authors developed this coding scheme jointly: one author would prepare the first draft on the basis of processing and discussing the interview and archival data with the other author. The co-author then commented on the first draft to resolve discrepancies and produce a more fine-grained version that was used for further testing.

3. In the third step, we discussed possible relationships among the themes that had emerged. This process relates to axial coding techniques (Strauss & Corbin, 1998). In this step, we focused more on institutional complexity by adding data from Southeast Asia, a region widely perceived as high corruption-risk (TI, 2012). This allowed us to analyze the actual scope of a 'substantial influence' strategy. Figure 1 illustrates how the first-order codes that were derived directly from the language of our informants relate to the second-order codes and overarching themes that we synthesized subsequently.

------------------------------ Insert Figure 1 about here ------------------------------

To increase the reliability of our results, we discussed the emerging themes and our own interpretations in follow-up interviews with respondents from ABB, Daimler and Siemens and incorporated their feedback into our analysis (see Corbin & Strauss, 1990, p. 11). Moreover, to avoid misunderstandings, we transcribed all of our interview data and sent it for validation to our respondents. In cases where we were not allowed to record the interview, we took notes during the conversation and sent an edited version to the respondents afterwards. For the sake of clarity and to reflect the inductive character of our investigation, we present our findings in three broad steps that represent roughly the structure of our analysis over time and we synthesize these separate steps thereafter. In addition, we provide a representative selection of quotations from our interview data supporting our interpretations in Table 3.

------------------------------ Insert Table 3 about here ------------------------------

FINDINGS

Step 1: Classifying the types and magnitude of transgression sanctions

Table 4 depicts the transgression sanctions of our case firms by distinguishing a) legal/regulatory sanctions (fines and costs involved), and b) social sanctions (prominence/negative media coverage of transgression).

Insert Table 4 about here

Overall, we found that the very high, or even unprecedented, social and regulatory sanctions at Siemens put the organization in a state of shock. All three types of legitimacy were severely challenged (see Suchman, 1995): Siemens's pragmatic (or regulatory) legitimacy was clearly at risk given the threat of immense regulatory fines, imprisonment and the very survival of the organization. The immense media coverage and criticism also from family and friends triggered personal contestation among Siemens staff worldwide putting the organization's cognitive legitimacy at risk. Finally, its moral (or normative) legitimacy was lost as result of the moral contestation of Siemens staff and the termination of TI membership.

As regards Daimler, while regulatory sanctions and the prominence of the transgressor can be assessed as high, we found the social sanctions to be medium to low. This suggests that pragmatic legitimacy was at risk whereas the other two types of legitimacy were largely unthreatened. Finally, we assessed social and regulatory transgression sanctions at ABB as low or medium, suggesting that none of the three legitimacy types was severely threatened.

Step 2: Analyzing the corruption controls over time

To analyze how the corruption controls developed in relation to the disclosure of the transgressions, we distinguished three periods: *before* (t_1), *during* (t_2) and *after* (t_3). The first period (t_1) starts around the time of the first (minor) settlement between the SEC and ABB in 2004. For our purposes, the middle period (t_2) starts with the large-scale investigation that German officials carried out at the Siemens headquarters in November 2006 and ends at the time when the settlements between the SEC and the three case firms were agreed on (Siemens in 2008, ABB and Daimler in 2010). The final period (t_3) covers the time from the date on which these agreements were signed to roughly the time when their terms were fulfilled – marked by the end of SEC monitorship and/or of the DPA in late 2012 and early 2013. Our analysis, as summarized in Table 5, is therefore structured along the following three periods: *before* (t_1: 2003–2005), *during* (t_2: 2006–2010) and *after* (t_3: 2011–2013). While our interviews refer retrospectively to t_1 and t_2, we use our documentary data spanning across all three periods to compensate for potential biases in respondents' historical view.

------------------------------ Insert Table 5 about here ------------------------------

Siemens. In the period before the transgression (t_1), Siemens had already installed plenty of bureaucratic controls that mainly consisted in a vast set of formal rules, codes and policies to fight corruption. Moreover, the company had partly embedded interactive corruption controls by participating in several voluntary initiatives like the UNGC and TI. Other types of corruption controls were either rudimentary or absent.

In the middle phase (t_2) and especially shortly after the disclosure of the transgression, there was a sudden and unprecedented increase in all the types of corruption controls considered in our model. As regards leadership, Siemens hired Peter Löscher – the first externally promoted CEO in the MNC's history – as new CEO to manage the transgression. According to Löscher,

> “[w]ithin months of my taking over, we replaced about 80% of the top level of executives, 70% of the next level down, and 40% of the level below that. I fundamentally changed how our managing board made decisions. We also worked to streamline and simplify our global operating units.” (Löscher, 2012, p. p. 40)

Overall, the staff dedicated to the compliance program at Siemens increased from around 60 (including part-time) to around 600 fulltime employees. Moreover, Löscher’s statement “only clean business is Siemens business – everywhere, everybody, every time” (Moosmayer & Winter, 2011, p. p. 4) was unequivocally clear. This leadership approach was complemented by comprehensive anti-corruption training and whistle-blowing procedures. Besides these social/cultural corruption controls, respondents like the lawyer at Gibson Dunn outlined that Siemens implemented a comprehensive set of administrative controls, including voluntary measures such as a strictly centralized structure of value flows and approval processes, a bonus–malus system to align incentives, and specialized audits on top of general tasks of the audit department (see also Gebhardt & Müller-Seitz, 2011; Graeff, Schroeder, & Wolf, 2009).

In addition, Siemens introduced interactive corruption controls; most notably, the Collective Action program that emerged in the context of the 2009 agreement with the World Bank Group, wherein Siemens agreed to co-operate to change industry practices and engage in collective actions to fight fraud and corruption (WBG, 2009). In direct response to this agreement, Siemens launched its global Integrity Initiative promoting organizations and projects that fight corruption and fraud through collective action, education and training. The total budget of US$100 million is spent over the next 15 years. In the first round, Siemens selected 31 organizations and projects and supported them with a total of US$37.7 million (Siemens Sustainability Report, 2012). Our interviews revealed that, globally, respondents are aware of the Siemens Integrity Initiative, although it is directed mainly from the headquarters and focuses on projects in high-risk regions. Respondents in Australian, low-risk, subsidiaries perceived that “the Australian business environment is very mature in the compliance field (…)

So there's not a perceived need to go out there and probably change the world, because the world's pretty good already” Siemens, CO Australia, Mar. 2013).

Compared to the massive changes at Siemens during t_2, the changes we noted in t_3 where of much smaller scope. The company’s main concern during 2012 was to increase the efficiency of the implemented compliance system. Another issue in t_3 was to focus collective actions more on particular business requirements than in the past. For example the company defined measures such as fair competition partnerships between bidders for large contracts or promoting voluntary self-commitment of industry federations to compliance standards (Siemens Annual Report 2012, p. 30). The goals stated in our first round of interviews in late 2012 had been largely realized by the time of the second round in late 2013. As a Siemens CO outlined “in several areas where no incidents had been detected in the preceding years, the respective controls and compliance staff had been reduced and the thresholds for projects requiring ‘approval’, e.g. by compliance staff, had been eased”. However, at the time of this interview in December 2013, our respondent was not yet able, or willing, to interpret the executive board’s decision (executed by Peter Solmssen in November 2013) to abandon the compliance board mandate.

Daimler. At Daimler, before the transgression (t_1) the corruption controls were mainly bureaucratic (e.g. formalized rules and policies) and to a limited extend social/cultural or interactive (e.g. participating in voluntary initiatives like the UNGC). However, in 2005, before the transgression and earlier than Siemens, Daimler introduced further – at least basic – measures to derive a more balanced set of corruption controls, as Table 5 shows. Our document analysis revealed that social/cultural corruption controls were fostered e.g. through a clear leadership statement against corruption by Dieter Zetsche outlining that “no business deal can ever justify putting our company’s reputation at risk“ (translated into English, speech at general assembly, April 2006; see also Daimler Business Partner Brochure), as well as relevant training and a whistle-blowing procedure. Furthermore, we found evidence that Daimler increased its administrative corruption controls in 2005 by monitoring and following up cases of corruption (see GRI indicators SO2, SO3 and SO4 in Table 5).

Although Daimler faced less severe regulatory sanctions and significantly fewer social sanctions during t_2 than Siemens (see Table 4), we identified in our first round of interviews in 2012 (t_3) that its compliance program consists of a comprehensive and well-balanced set of corruption controls that in many aspects comes close to that of Siemens. As Table 5 shows, Daimler's compliance program contained strong social/cultural controls, including clear signals from and to the leadership against a 'self-servicing' mentality, a close integration of compliance in the 2011 established board-level brief "Integrity and Legal Affairs", comprehensive anti-corruption training and a whistle-blowing procedure. Administrative controls include risk assessments, monitoring and sanctions such as dismissals. Furthermore, third-party bank accounts, regularly used for bribery payments in the past, were significantly reduced, although value flow centralization was lower than at Siemens, as Daimler representatives and external parties such as a lawyer at Gibson Dunn assessed.

Nevertheless, we were initially unable to explain satisfactorily the overlaps between the Siemens and Daimler compliance programs despite the significant differences, especially in social sanctions. Our dissatisfaction led us to investigate the factors that may have influenced the reintegration process after transgression disclosure. We consulted the literature on contingencies before conducting further empirical research. From the literature, press coverage and personal interviews with an experienced lawyer at Gibson Dunn, we understood that deferred FCPA prosecution agreements (DPAs) allow an externally imposed FCPA monitor to gain insights into the company that go significantly beyond regular audits. The monitor can request access to all sorts of compliance-related documents, interview people in various hierarchical positions and visit foreign subsidiaries (Hartmann, 2012; Schwarz, 2011).

Our analysis revealed that in t_2 and early t_3, corruption controls were implemented rather slowly and insufficiently. As the Spiegel (2011) reports about information regarding the strictly secret 'First Follow-up Monitor Report' by Louis Freeh (FCPA monitor at Daimler): "The Daimler-internal investigations of suspicious cases are too slow (…) At the moment, [Daimler] would not fulfill the criteria of the US stock exchange supervision SEC." We now understand that several of the strong social/cultural and administrative elements of Daimler's compliance program in t_3 were only implemented in response to this criticism of the monitor. That is, additional regulatory pressure and further social attention/sanctions through the media were necessary to realize a comprehensive compliance system at Daimler. The Spiegel (2011) highlights some of the company's responses: "Since August last year Daimler has, according to an internal list, dismissed 30 managers without notice, nine leaders received a contractual notice of dismissal. In addition Daimler restricted from business in various countries, perceived as highly corrupt." Later in t_3, Daimler respondents highlighted in follow-up interviews that the company chose to maintain a board brief for 'Legal and Integrity' even after the regulatory proceedings had ended, which we interpret as an indicator for the continuity of compliance efforts at Daimler.

ABB[1]. Our analysis of ABB's corruption controls took a different course compared to the two other cases: Our ABB interview partners focused mainly on ABB's present state (t_3) of corruption controls. Moreover, ABB's personal and written communication focuses more on the social/cultural control dimension, e.g. as reflected in the dominant reference to *integrity*, instead of *compliance*, observed in our content analysis of ABB communication.

In t_3 we identified several strong and comprehensive social/cultural controls; notably, training based on a case-study of real (though anonymized) past incidents of corruption, a sound and offensively communicated whistle-blowing procedure (including a dedicated information

[1] We are not allowed to use any quotes from our interviews with respondents at the ABB headquarters.

desk in the HQ lobby) and strong leadership support (including a separate board position). However, apart from these strong social/cultural controls and certain interactive controls – e.g. membership in TI, the UNGC and the Partnering Against Corruption Initiative (PACI) of the World Economic Forum – our interview partners were reluctant to provide us with detailed information on administrative controls. Nevertheless, we can reasonably assume that ABB has installed at least basic administrative controls, considering, among other things, that it managed to successfully terminate its DPA. However, the partially ambiguous responses from our ABB interviewees together with the assessments from third parties suggest that the scope of ABB's administrative controls is smaller than the scope of its social/cultural controls. As the CO of an industry peer puts it:

> "In the control system [referring to administrative controls], I believe, ABB has weaknesses today (…) We compare notes on this issue (…) and ABB also openly communicates that they did not invest as much in the implementation of a control system …", 2013).

A gap between the ABB headquarters perception and our own observations, as well as those of external observers, about the company's handling of the transgression is evident in the processes of risk assessment, monitoring, following up of incidents, and sanctions. For example, ABB mainly relies on annual surveys and the audit department to conduct corruption-risk assessments. However, our analysis revealed that at Siemens special 'compliance' teams conduct such assessments in addition to the audit department's investigations. Furthermore, we found that ABB's reports on sanctions and follow-up assessments are less comprehensive than the ones by Siemens.

We should recall that in t_2 ABB faced lower regulatory sanctions (notably, there was no external monitor) and almost negligible social sanctions (see Table 5) compared to Siemens. While respondents from all three firms mentioned the powerful role of the SEC, ABB interviewees tended to deny that the 2008–2010 wave of transgression disclosures and settlements affected significantly the company's anti-corruption strategy. They admitted that there was a whole list of organizational requirements that the company had to fulfill in order to comply with the FCPA, but their rhetoric revealed a confidence that the company would not have to introduce drastic changes in order to comply and that ABB had never suffered from a systemic culture of organizational corruption.

The reasons behind ABB's introduction of considerable corruption controls in t_1 became apparent only after the second round of interviews and analysis: a key driver may have been an earlier settlement between ABB and the SEC in 2004. The smaller-scale settlement (bribes of US$1.1 million and a penalty of US$10.5 million, compared to the 2010 settlement involving at least US$2.7 million in illicit payments and a penalty of US$39.3 million) and the early date may explain why we did not initially notice it. Nevertheless, our analysis revealed that it came at the beginning of the wave of such settlements enforced by the SEC (GibsonDunn, 2013), putting ABB in the role of a 'first mover'. Table 5 shows that ABB was indeed the first of our three case firms to install certain corruption controls, especially social/cultural ones, in t_1. The comparatively large scope of anti-corruption reports, a clear zero-tolerance statement, information on training, the installation of a whistle-blowing procedure and participation in several voluntary initiatives (PACI, TI, UNGC) are examples of the leading innovative practices that ABB implemented before Daimler and Siemens.

Step 3: Deducing the legitimacy strategies from the interaction between corporate corruption controls and the organization's institutional environment

Siemens. As mentioned earlier, Siemens's corruption controls in t_1 were limited to a combination of formal rules and policies and rather passive participation in voluntary interactive initiatives like the UNGC and TI. Corruption controls aiming at translating these formal policies and structures into daily practices (e.g. through leadership support, training, a complaints procedure or monitoring) were lacking. ("In my point of view it was simply lacking awareness for theses issue (…) and for consequent dealing when formalities were not met"

Siemens, Senior CO, Nov. 2012). In line with theoretical notions of gaps between policies and practices (J. W. Meyer & Rowan, 1977), we label Siemens's anti-corruption strategy in t_1 as 'decoupling'.

From t_1 to t_2, the disclosed transgression triggered a sudden and radical shift of anti-corruption strategies at Siemens from one extreme to the other. A senior CO at Siemens summarizes this shift:

> "[S]uch a scandal helps and we were at the point where we could only change the course or sink. And in this first step I think we have taken the necessary measures that (…) have helped us, to leave this deep valley of scandal and turn towards a success story. (…) Then the process of change started, but not gradually, but this compliance system was implemented under brute force." (Nov. 2012)

Referring to the immense speed and substance of change at Siemens, the former FCPA monitor at Siemens assessed that "a tremendous act of rehabilitation has occurred within one year". He specified that "Siemens has done more than what regulators both in the US and Germany expected", a judgment that was supported widely by various respondents as illustrated under code 'we do more than we have to' in Table 3. For example, the lawyer at Gibson Dunn highlights that "this is a voluntary step of Siemens, which is not present at many competitors" referring to the centralization of payment transactions. Siemens's collective action activities also go well beyond the terms of the World Bank agreement, as our document analysis clearly shows. Already the title of the program "How we can drive Collective Action" (K. Meyer & Waldschmidt, 2012, p. p. 22) indicates that the company's approach is strongly proactive rather than passively reactive. In sum, with the radical implementation of all types of corruption controls shortly after the disclosure of the transgression (see step 2), Siemens aimed at 'over-fulfilling' the requirements imposed on the company of single constituents.

This new proactive approach of Siemens also extends to another central theme (or: code) we identified: 'We want to make sure everybody else does it too'. "[O]ne of our goals is to transport our knowledge and experience towards the outside, make it available to others and build alliances with other market participants, simply to work together on fair competition" (Siemens, Senior CO, Nov. 2012). Beyond the World Bank agreement, Siemens promotes its new anti-corruption practices e.g. at international industry, government and NGO meetings ("… every quarter we have what we call, a best practice session. Siemens did one in September last year." TI Malaysia, Apr. 2014) and engages in collaborations with academia. This new strategy in t_2 focusing on elements of 'we do more than we have to' and 'we want to make sure everybody else does it too' cannot reasonably be associated with legitimacy strategies defined in previous research. Therefore, we chose to define it as a new legitimacy strategy, which we label 'substantial influence'. Based on our observations, we define 'substantial influence' as an organization's radical and substantial effort to change its own organizational practices as well as influence the perceptions and practices in its environment.

The MNC's Collective Action program, especially in the first years of implementation, can be considered part of Siemens's 'substantial influence' strategy rather than classifying as a 'moral reasoning' strategy. The language used in Siemens's reports (e.g. "we selected", "our aim is", "we plan to focus") and in public presentations ("how we can drive", "aproach public sector customers/competitors", K. Meyer & Waldschmidt, 2012) suggests that the company determined independently which types of controls to implement and when. Siemens focused on elements of 'moral reasoning' only later, especially in t_3, once the new compliance measures had been implemented. The perception that "we first stood under very strong pressure [referring to t_2] … Then we focused very strongly on roundtable discussions with other market actors [referring to recent activities in t_3]" (Senior CO, Siemens Switzerland, Dec. 2013) illustrates this shift.

Daimler. Daimler applied a rather mixed set of legitimacy strategies in t_1, however the scope of transgressions disclosed at Daimler in t_1 reveals that systemic corrupt practices continued well into this period, so 'decoupling' was a key strategy at that time ("Until the year

2008 we did not do that in a quality that we considered and consider as necessary" Daimler, Senior CM, Nov. 2012). The fact that Daimler has already implemented several types of compliance controls some of which had been previously applied elsewhere (for example at ABB) indicates elements of 'isomorphic adaptation'. Furthermore, Daimler applied already elements of 'moral reasoning', e.g. by participating in voluntary initiatives.

After the disclosure of the transgression, Daimler focused in t_2 on a slow adaptation to regulatory pressures. The company applied an 'isomorphic adaption' strategy aimed at gradually conforming with regulatory demands, which becomes evident for example considering that "Daimler has not changed its leadership team. Daimler played it differently [than Siemens]" (Lawyer, Gibson Dunn, Nov. 2012). The reasoning at Daimler on why to abstain from a massive leadership exchange involves considerations of fairness and open-ended communication with the Daimler workforce reflecting elements of 'moral reasoning':

> "[M]any leaders grew up and studied in a world in which the perception existed that in some countries making business without facilitation payments, to name it that way, is not possible (…) I think it is fair to first inform and enable them to cope with this new context" (Senior CO, Daimler HQ, Nov. 2012).

However, recalling that some changes at Daimler even occurred too slowly and insufficiently (e.g. "Daimler does not scrutinize the efficiency of the initiated processes" or "The enterprise has not prevented 'unethical behavior of managers' consistently") (compliance monitor; cited in Spiegel, 2011), suggests that elements of 'decoupling' may have persisted as well in t_2.

Interestingly and in stark contrast to Siemens, while changes between t_1 and t_2 appeared rather slowly, the speed considerably increased from t_2 to t_3. A senior CO at Daimler depicts these developments over time and attributes the increased speed to the pressure of the monitor:

> "Therefore we have [implemented] in the last three years, particularly though in the last two years as the monitor has pointed out very much stimulations in his first report, (…). Especially in the last two years an immense acceleration in our compliance management system has taken place."

Daimler representatives convincingly outlined the particular processes behind this change, including systematic processes to prevent and detect wrongdoing and efforts to change the previously criticized self-servicing mentality. Considering that these changes are backed by the positive judgment of the compliance monitor ("the weaknesses have become much smaller in the past two years and the strengths have become much larger") in an interview with the German daily Frankfurter Allgemeine Zeitung in mid-2012 (Newswires, 2012), we can reasonably assume that decoupling is no longer a major strategy at Daimler in t_3. Furthermore in this period, Daimler took a more active role in the UNGC by being among the first to join the UNGC LEAD initiative initiated in 2011 ("We meet [to discuss] the tenth principle twice a year, now really also to address corruption prevention" Senior CO, Daimler, Nov. 2012). This evidence is indicative of a comprehensive 'moral reasoning' strategy (marked with a now continuous line surrounding this strategy in Figure 2).

Interestingly, after the monitor's criticism in the first report, the same monitor stated about one year later that Daimler was willing to go even beyond regulatory requirements and become a compliance benchmark worldwide: "Daimler AG's management has in many respects done more than required in a settlement with U.S. institutions (…) Daimler really wants to become world champion in compliance" (see Newswires, 2012). Furthermore, our respondent at the law firm Gibson Dunn mentions that "Daimler, like Siemens, has included voluntarily questions on pressure to perform in anonymous questionnaires". These elements are indicative of a 'substantial influence' strategy in this period (marked with a dashed line in Figure 2, as our evidence is generally less comprehensive than at Siemens).

ABB. ABB also applied a mixed set of legitimacy strategies in all three periods. In t_1, ABB was the first of our three case firms to install a set of social/cultural controls and participated in many voluntary anti-corruption initiatives, which points to strategies of 'moral reasoning' and 'strategic influence'. However, ABB's strategic influence remains rather ambiguous, given that we did not find evidence that ABB proactively tried to diffuse the social/cultural controls it installed in that period. Nonetheless, some of ABB's practices (training, whistle-blowing) became established thereafter. The ambiguity of ABB's 'substantial influence' strategy is with a dashed frame in Figure 2. Finally, considering that the SEC found ABB's integrity program deficient on several counts in the 2010 settlement ("ABB, through its officers, agents and subsidiaries, failed to detect and prevent the illicit payments revealing a lack of effective internal controls" SEC Complaint, 2010, p. 19), 'decoupling' was also part of ABB's strategy portfolio.

In t_2, the company continued to apply social/cultural controls; however, the isomorphic adaptation strategy became dominant: In contrast to the 2004 settlement, ABB now had a comprehensive list of compliance program requirements to fulfill to avoid criminal conviction (ABB DPA, 2010). Statements like "following discovery of the bribery, ABB (...) voluntarily and timely disclosed to the (...) SEC the misconduct" and "ABB Ltd conducted a thorough internal investigation of that and other misconduct" (ABB DPA, 2010, p. 4) may speak against the application of a 'decoupling' strategy. In t_3, however, our interviews revealed a gap between the ways in which ABB as opposed to other interview partners perceived the comprehensiveness of ABB's administrative controls. This leaves us with uncertainty as to whether some elements of 'decoupling' may have persisted at ABB in periods t_2 and t_3. The dashed frame and question marks in Figure 2 signal this high degree of uncertainty.

------------------------------ Insert Figure 2 about here ------------------------------

Synthesis of steps 1 to 3

All three case firms completed successfully their monitoring and/or DPA period and we could not find any indications of new systemic corruption cases during our interviews and media analysis. However, although all three transgressors managed to finally regain legitimacy and to fulfill several similar compliance requirements, there are considerable differences in their strategies for regaining legitimacy.

Radical change and 'over-fulfillment' to recover from a 'legitimacy shock'

Our analysis indicates that Siemens's 'substantial influence' strategy was successful for the organization in regaining legitimacy after a transgression that severely challenged all three types of legitimacy (see W.R. Scott, 2001; Suchman, 1995) as outlined in step 1. We refer to this shock status observed among Siemens staff worldwide as a 'legitimacy shock'. This legitimacy shock triggered the general perception at Siemens that the only chance to recover was to respond radically, substantially and proactively. Due to the global awareness of the transgression and the personal contestation of Siemens employees worldwide, all organizational members seemed to fully support the introduced changes. As Peter Löscher (the new CEO hired to manage the transgression) continuously reminded his audience "never [to] miss the opportunities that come from a good crisis" (Löscher, 2012, p. p. 40), adding that Siemens certainly did not miss theirs.

Siemens managed to achieve a 180-degree turn in its compliance strategy – from an organizational structure of widespread corruption and façade-building to representing a benchmark in compliance worldwide. As our analysis revealed, Siemens exceeded the imposed requirements for implementing the whole range of compliance measures and implemented all prescribed regulatory and social corruption controls (see Lange, 2008), including many elements of voluntary interactive strategies.

Gradual but comprehensive reintegration in response to external monitoring and strong regulatory sanctions but weaker social sanctions

Daimler faced a corruption transgression of similar (geographic) scope to the Siemens affair, involving high regulatory sanctions; however, 'Daimler played it differently' (interview partner at Gibson Dunn). Our analysis suggests that Daimler generally followed a more linear and gradual reintegration path than Siemens, more in line with conceptual reintegration models. Pfarrer et al. (2008) distinguish four reintegration stages: *discovery*, *explanation*, *penance* and *rehabilitation*. According to this model, during the 'discovery' stage, i.e. until most facts had been collected and disclosed, Daimler followed a more passive approach than Siemens. In the 'explanation' and 'penance' stages, Daimler took the time to reflect on why the transgression happened and how the organization should respond, whereas Siemens had practically skipped the 'explanation' stage. Because the disclosure of the transgression was far less geared towards the media and social sanctions were mild, Daimler had, or even needed, time to make its global workforce aware of the transgression. As outlined in step 2, internal penance (e.g. replacement of top management) was far less severe than at Siemens; the transgression was partly attributed to the educational background of managers – for a long time foreign corruption was tax-deductable in Germany (Glynn, Kobrin, & Naim, 1997) – and the perceived common use of corruption in several other countries worldwide.

Although, compared to Siemens, Daimler's initial response to its own corruption transgression was less radical and more passive, by the end of the 'rehabilitation' stage Daimler had implemented a comprehensive and fairly balanced compliance program that in many respects resembles Siemens's own program. Further documentary analysis and interviews revealed that the presence and criticism of an external compliance monitor imposed by the SEC may have shaped significantly Daimler's final comprehensive compliance program. Overall, our analysis shows that having power and resources is a necessary rather than sufficient precondition for becoming a leader in compliance standards worldwide: in the Siemens case, we found the immense legitimacy shock to be the major trigger of substantial change. As Figure 2 shows (Siemens boxes in t_2 and t_3), the monitor played a relatively minor role in triggering these changes. In Daimler's case, however, where the legitimacy shock was milder, we identified the external monitor imposed by the SEC as a major factor in Daimler's successful completion of its compliance program (see Daimler boxes in t_2 and t_3 in Figure 2). The quotations in Table 3 support this finding.

Mixed, partly inconsistent or paradoxical anti-corruption strategies in response to repeated minor corruption transgressions

ABB's reintegration process appears sometimes inconsistent or even paradoxical to us. As Figure 2 shows, ABB displayed the most diverse spectrum of legitimacy strategies in our sample. This may be explained partly by the fact that ABB was involved in two moderate transgressions that did not demand an immediate and decisive response. However, existing models of organizational corruption control (e.g. Lange, 2008) do not explain why ABB focused its response on social controls, although it faced mainly regulatory, rather than social, sanctions, so we need to consider other contingencies.

The elements of over-fulfillment we found in ABB's strategy mainly relate to social/cultural, rather than administrative, corruption controls and reflect an approach based on 'intrinsic orientation' instead of 'autonomy reduction' or 'consequence systems' (see Lange, 2008). As noted, ABB introduced social/moral controls around the time of the first SEC settlement in 2004. Similarly, after the second SEC settlement, ABB focused almost exclusively on integrity-based training and communication strategies and promoted its whistle-blower hotline. In contrast to Siemens's direct attempts of 'substantial influence', ABB opted for an open, value-based legitimation approach dominated by a 'moral reasoning' strategy. At the same time, ABB's strategy contained conflicting or even paradoxical elements that may relate to some sort of decoupling (see step3). Furthermore, the gap between the image of ABB as a leader in anti-corruption management, which our interviewees painted, and the gaps between ABB's administrative controls and the industry's best practices that we identified, and an industry peer and other external experts corroborated, reveal that certain forms of decoupling were also present after the second settlement. This ambiguity is underscored by the fact that ABB engaged in integrity-oriented activities, but was less willing to communicate these activities transparently to us. We were hardly able to obtain precise information, especially on administrative controls and follow-ups, but also on the causes of the corruption transgression and on the reintegration process; furthermore, our key informants at the ABB headquarters repeatedly asked us not to interview other ABB representatives.

We identified the role of the external monitor and the scope of the investigation team as key to explaining this apparent contradiction: in contrast to Daimler and Siemens, ABB was not scrutinized by an external monitor, while lawyers, consultants and auditors conducted far more limited investigations than at Daimler and especially at Siemens. Overall, it cannot be said that external authorities left 'no stone unturned' in ABB's case. Consequently, instead of establishing a system that would help it achieve full transparency about every business process, ABB chose the possibly less resource-intensive approach of preventing corrupt behavior by attempting to change the mindset of its employees.

Especially after the second SEC settlement, it appears that ABB began to adopt elements of an 'isomorphic adaptation' strategy and to orient itself more to the practices already implemented at competitors like Siemens. A comparison of the slogans of each company's compliance program (Siemens: 'Prevent, Detect, Respond'; ABB 'Prevent, Detect, Resolve') supports this impression. Similarly, Siemens's slogan 'Only clean business is Siemens business – everywhere – everybody – every time' (see Moosmayer & Winter, 2011, p. p. 4) is echoed in ABB's code of conduct: 'We expect this [acting ethically and with integrity] of every single ABB employee, in every location, every day' (ABB Code of Conduct, 2013, p. 4).

From these findings we can conclude that (a) for a transgression to trigger a set of holistic, innovative and comprehensive anti-corruption processes, i.e. a substantial influence strategy, a certain level of shock or urgency is necessary, even if it places the transgressor in the role of a first mover and (b) the combination of (elements of) a substantial influence strategy together with other legitimacy strategies appears problematic and may cause further legitimacy crises.

DISCUSSION AND CONCLUSIONS

The main purpose of this case study was to investigate how corruption transgressions influence the choice of organizational strategies for regaining legitimacy in a complex and changing institutional environment. We found that only the combination of high regulatory and social pressure leading to a legitimacy shock, which we observed in the Siemens case, may trigger radical change in a firm's anti-corruption strategy. Siemens acted instantly and drastically, choosing a clear strategy of 'substantial influence' and its best practices served as examples for other transgressors and industry peers. In addition, the intensive legal investigations and screenings created an unprecedented level of transparency at Siemens, enabling the company to break the taboo and openly communicate its corrupt history as well as its lessons from implementing substantial corruption controls.

So far, most research has focused either on strategies of managing legitimacy in complex and heterogeneous environments or on reintegration into the environment after a corruption transgression or a similar unethical transgression, paying little, if any, attention to the institutional environment in which the transgression occurred (see e.g. Pfarrer et al., 2008). Both tasks – managing the complexity of such an environment and becoming reintegrated in it after a corruption transgression – are crucial for MNC survival, and the fact that all recent corruption transgressions occurred in a very complex, i.e. heterogeneous and changing, environment indicates that understanding the institutional environment is key to theorizing issues of legitimacy and transgression.

Our findings offer a starting point for developing the relevant theory, highlighting the differences in the effects of a legitimacy shock and those of mere regulatory pressure on the process of regaining legitimacy after a corruption transgression. We emphasize three components of such a theory that are elaborated in the following subsections. First, our study clarifies previous assumptions on employing strategic manipulation to regain legitimacy (Oliver, 1991;

Scherer et al., 2013; Suchman, 1995) by distinguishing between two extremes: decoupling and substantial influence. Second, we identify and outline how a legitimacy shock may trigger a ‘substantial influence’ strategy, questioning the assumptions that transgressors pursue a strategy of gradual reintegration on which previous anti-corruption models rely (Bertels et al., 2014; Pfarrer et al., 2008). Third, this study highlights how recent trends in regulatory procedures – so-called restorative justice or creative sentencing (Bertels et al., 2014) – may be similarly successful in triggering substantial changes in the transgressor, albeit much more gradually than a legitimacy shock does. Finally, our study sheds light on the conditions under which the use of multiple legitimacy strategies or the focus on a single strategy leads to the repair of corporate legitimacy in complex heterogeneous environments.

Before we discuss the theoretical implications of our empirical study in more detail below, we should first emphasize potential limitations of our study, most of which arguably deal with the generalization of our findings. Our findings apply to the cultural context of MNCs with headquarters in Germany and Switzerland (or Central/Western Europe). We do not take into account potential cultural differences between MNCs originating from this context as opposed to, for example, the US, South American or Chinese context. Finally, even for the context chosen in our study, future research on other cases is needed to test and potentially further specify our theoretical framework proposed below. At least, our limited analysis of BMW AG (so far untroubled by a disclosed transgression) and Royal Dutch Shell (SEC settlement in the past) tend to support our overall conclusions on the powerful role of a transgression as regards organizational change and the willingness to share information on the same.

The two extremes of manipulation strategies: Decoupling versus substantial influence

On the basis of Siemens’s radical shift from one extreme – i.e. decoupling – to the other – i.e. the ‘substantial influence’ strategy – in order to regain legitimacy, we argue that the existing literature on legitimacy fails to capture fully the characteristics of this strategy (see e.g.

Oliver, 1991; Scherer et al., 2013; Suchman, 1995). A main reason for this shortcoming is that although previous research mentions the 'active' nature of manipulation strategies (Child & Rodrigues, 2011; Oliver, 1991), 'activeness' refers merely to the organization's attempt to influence public perceptions rather than change internal organizational processes. Scherer et al. (2013, p. p. 266, p. 266), for example, refer to manipulation strategies mainly as a public relations tool that organizations employ to manipulate the perceptions of critical stakeholders, without actually modifying the practices that these stakeholders criticize. Our findings revealed the need to specify the role of 'activeness' in the context of manipulation strategies. We distinguish between two extreme forms of strategic manipulation: (1) decoupling and (2) substantial influence. Figure 3 (bottom) illustrates the difference between the two extremes.

------------------------------ Insert Figure 3 about here ------------------------------

Our findings support the suggestion in recent legitimacy literature (Scherer et al., 2013) that a strategic manipulation strategy (Oliver, 1991; Suchman, 1995) can be mostly equated with a 'decoupling' strategy (J. W. Meyer & Rowan, 1977) (see bottom left of Figure 3). The concepts of strategic manipulation and decoupling are both based on the assumption that organizations achieve legitimacy by constructing a façade of organizational structures and processes that reflects institutional myths (shaped e.g. by expectations concerning proper business practices) without adjusting their organizational practices to match the projected image. Before the respective transgressions, all three case firms in our study had demonstrated commitment to the fight against corruption by increasingly reporting on this issue and joining initiatives like the UNGC or TI; at the same time, however, they failed to implement necessary anti-corruption organizational structures.

We furthermore suggest that the other extreme strategy – the active attempt to manipulate public perceptions through active change in the organizational practices and structures – should be defined as 'substantial influence' strategy (see bottom right of Figure 3). While elements of this strategy do appear in previous studies on legitimacy strategies – e.g. Nike's decision to disclose the names of its supply-chain partners (Scherer et al., 2013, p. 268) – those earlier works focused on cooperation with civil society organizations and described this approach as a 'proactive moral reasoning' strategy. However, in contrast to 'proactive moral reasoning', the 'substantial influence' strategy, as we understand it, does not involve open-ended discourses between organizations and their stakeholders, but clear and predefined targets. In the context of corruption, a company that has fundamentally changed its organizational practices and structures (e.g. by aligning its incentive structures, introducing integrity training and whistle-blower protection and following up incidents of corruption) and now manipulates public perceptions in order to make its own standards the benchmark in its institutional environment (e.g. for organizational peers, investigators, regulators, policy-makers, NGOs) can be said to exert 'substantial influence'.

Distinguishing between the strategies of decoupling and substantial influence allows us to explain the strategies of organizations undergoing radical change after a severe transgression, crisis or 'failure of routine' (Scherer et al., 2013, p. 263). In our study, Siemens best illustrates the clear shift from the one extreme of strategic manipulation, decoupling, to the other extreme, i.e. exerting substantial influence on the institutional environment. This is one of our contributions to the literature on the reintegration of corrupt organizations (e.g. Pfarrer et al., 2008) and on corporate legitimacy strategies (Oliver, 1991; Scherer et al., 2013).

This distinction also establishes important links between the literature on institutional determinism (e.g. Paul J. DiMaggio & Powell, 1983) and the literature on institutional entrepreneurship (e.g. Battilana et al., 2009). Defining 'institutional entrepreneurs' as actors who initiate changes that help transform existing or create new institutions (Battilana et al., 2009; Paul J DiMaggio, 1988), we argue that MNCs that pursue a 'substantial influence' strategy can be closely associated with institutional entrepreneurs. While previous works assume that changing both organizational structures and public perceptions requires enormous organizational resources (Boxenbaum & Jonsson, 2008; Scherer et al., 2013), the literature on institutional entrepreneurship acknowledges the ability of organizations to develop such resources. As regards anti-corruption, transgressors should use their resources to disrupt the resource structure that supports the defenders of a corruption favoring status quo, e.g. by means of incentives, access to and the support of the media, as well as the role of international judges (Misangyi et al., 2008). Siemens follows such an approach and has already influenced its peers, the public and regulators as outlined in our analysis. Figure 3 illustrates the set of four separate legitimacy strategies that we propose, in the context of reintegration into the institutional environment after a corruption transgression.

The legitimacy shock as a trigger of substantial influence

In contrast to the suggestions of previous research that companies facing an unprecedented transgression – like Enron, WorldCom or Tyco – may not recover due to the enormous stigma that 'first movers' suffer (Goffman, 2009; Pfarrer et al., 2008), our study reveals that 'first movers' may indeed be able to regain legitimacy and thus secure organizational survival by managing to influence their environment substantially. We furthermore argue that a legitimacy shock, i.e. a radical reduction of pragmatic, moral and cognitive legitimacy, raises the chances that transgressors will be willing to make wholesale and radical changes and will be successful in achieving them. Our findings further suggest that the conventional models of reintegration (Bertels et al., 2014; Pfarrer et al., 2008) may fail to explain accurately the process by which transgressors regain legitimacy after such a legitimacy shock.

More specifically, previous models pictured MNCs as organizations consisting of rational top management and staff and characterized by well-thought-out decisions based on all relevant facts and options. Pfarrer et al. (2008, p. 735), for example, describe the outcome of the 'discovery stage' as the 'facts of the transgression'. Similarly, although the reintegration process that Bertels et al. (2014) describe is more nuanced (outlining e.g. the escalation paths of regulatory pressure), the authors consider primarily rational factors and largely ignore the emotional factors that determine the transgressor's response to a transgression. In contrast, our empirical data from the interviews at Siemens suggest that the facts of the transgression (e.g. monetary fines and regulatory sanctions) affected staff emotionally less than the shock resulting from the disclosure of the transgression. On those grounds, we argue that emotions (Baumeister, Vohs, DeWall, & Zhang, 2007) are key to conceptualizing how transgressors reintegrate themselves into their environment after a transgression.

Creed, Hudson, Okhuysen, and Smith-Crowe (2014) provide a cross-level analysis of the mechanisms through which shame, a self-directed emotion, affects people's willingness to participate in institutional processes. Recognizing that maintaining social bonds is a 'crucial human motive' (Scheff, 1990, p. 4), the authors argue that shame signalizes to those who experience it that social bonds are at risk and triggers efforts to preserve these bonds (Baumeister et al., 2007). Our findings add to the idea of Creed et al. (2014) that shame can act as a means of intersubjective surveillance and self-regulation by outlining that personal emotions like shame trigger the quest for substantial organizational change to secure or re-establish social bonds. The public-oriented gathering of 200 police men and officials at the Siemens headquarters in Munich can thus be regarded as an instance of shaming (see Creed et al., 2014).

Previous research focused on how emotions spread collective corruption within an organization (Smith-Crowe & Warren, 2014). In contrast, our findings outline how emotions can be used to trigger efforts against organizational corruption. Interviewees at Siemens described the shock of Siemens employees who used to read with pride in the media about their technological inventions and all of a sudden were confronted with a big public transgression, as well as the moral concerns of family and friends. While interviewees from the other two case companies also mentioned repeatedly that their organization had to reach the ‘hearts and minds’ of employees, this task had yet to be achieved by the time of the interviews and we attribute this to the absence of a legitimacy shock comparable to that which shook Siemens.

Regulatory sanctions and reintegration in the absence of a legitimacy shock

In the absence of a legitimacy shock, e.g. if ‘only’ pragmatic legitimacy is at risk whereas cognitive legitimacy (the taken-for-granted acceptance of the organization) remains unchallenged, several aspects of previous reintegration models (Bertels et al., 2014; Pfarrer et al., 2008) appear to hold, according to our findings. Transgressors (here: Daimler and ABB in the case of its second transgression) may then judge that they can afford to wait until they have all the facts before they seek and provide appropriate explanations, enter into regulatory agreements by way of penance, and implement organizational changes in line with these agreements, following the four stages (discovery, explanation, penance and rehabilitation) that Pfarrer et al. (2008) identified.

Furthermore, our findings suggest that in the absence of a legitimacy shock, continued regulatory pressure plays a crucial role in forcing the transgressor to reintegrate in the institutional environment. Repeated or escalating external pressure may be necessary for transgressors to develop comprehensive controls and implement leading practices in the fight against corruption, as the model put forward by Bertels et al. (2014) suggests. Our findings show that regulatory approaches that include measures of reintegration are more effective than approaches that focus exclusively on sanctions. Among our case companies, ABB illustrates clearly the different effects of these two approaches: after its first transgression, ABB was only obliged to pay monetary fines. The company failed to implement substantial organizational changes; however, after the second transgression, ABB successfully completed a DPA prescribing a list of organizational changes to be made. Finally, our findings, especially on Daimler, identify external compliance monitors as very effective – though overlooked in recent research –

means of triggering organizational change through escalating pressure. The Daimler case in particular illustrates that the presence of an external monitor during the process of regaining regulatory legitimacy influenced significantly the transgressor's reintegration strategy. This finding is also of interest to practitioners and scholars concerned with CSR initiatives or standards in general. In the context of schemes such as the UNGC, our study shows that in situations where the transgression and the transgressor's power are not extreme (Daimler as opposed to Siemens), imposing external and stringent monitoring on the disgraced members may facilitate and accelerate their learning progress (see Schembera, 2012). While the UNGC so far lacks the resources to install direct monitoring (Rasche, 2009), one pragmatic solution would be to establish a fund to collect the necessary resources for appointing teams that monitor UNGC members. Both UNGC members and other stakeholders should be interested to contribute to the fund to maintain and enhance the credibility of the initiative.

Multiple versus single legitimacy strategies: What works when?

Theoretical assumptions on the use of legitimacy strategies vary greatly and we perceive the need to clarify the conditions under which the different assumptions hold true. The contradictions between different approaches – namely, the resource-based view (Christmann, 2000; Hart, 1995), discourse ethics (Stansbury, 2009) and institutional theory (Delmas, 2002; Schaefer, 2007) – give the impression that a corporation only applies one legitimacy strategy at a time. Palazzo and Scherer (2006) as well as Scherer et al. (2013) argue that choosing between different legitimacy strategies in a complex globalized economy does not work as smoothly as it once did (see Oliver, 1991). Scherer et al. (2013) therefore suggest that in heterogeneous environments that place conflicting demands on corporations, the best choice to maintain or regain legitimacy is to combine different, and potentially contradictory, legitimacy strategies.

Our findings on Daimler and ABB reveal that nowadays MNCs indeed tend to apply a mix of different legitimacy strategies in order to manage the heterogeneous anti-corruption expectations they have to meet. However, our study on Siemens indicates that a transgressor faced with a serious transgression, or legitimacy shock, succeeds in regaining legitimacy by limiting its range of legitimacy strategies to exercise 'substantial influence' aimed at reducing complexity in the institutional environment. Applying only elements of 'substantial influence' together with several other legitimacy strategies tends to be less successful in regaining legitimacy as the reoccurrence of regulatory sanctions at ABB illustrate. Overall, we hope that our arguments and findings provide valuable insights that will enable researchers to develop robust models on corruption control.

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Figure 1: Data structure

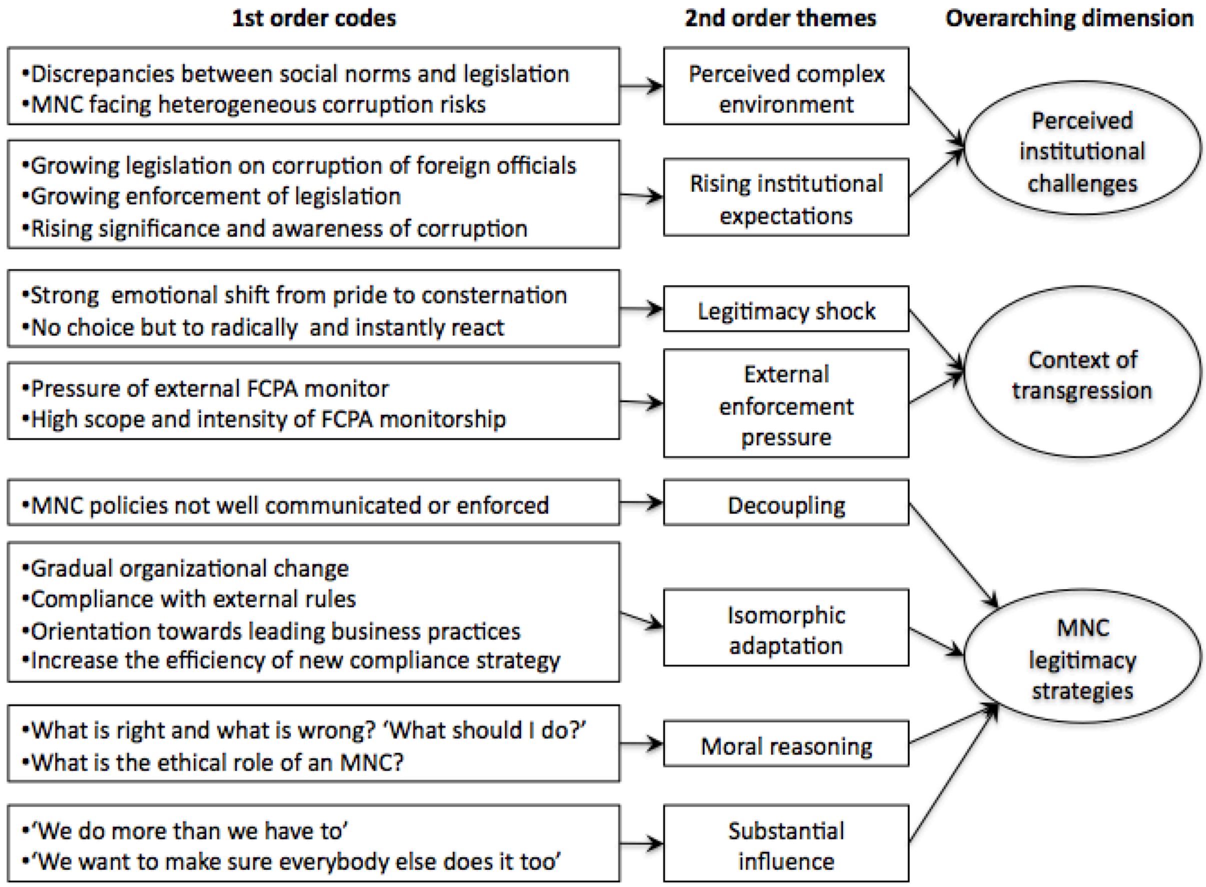
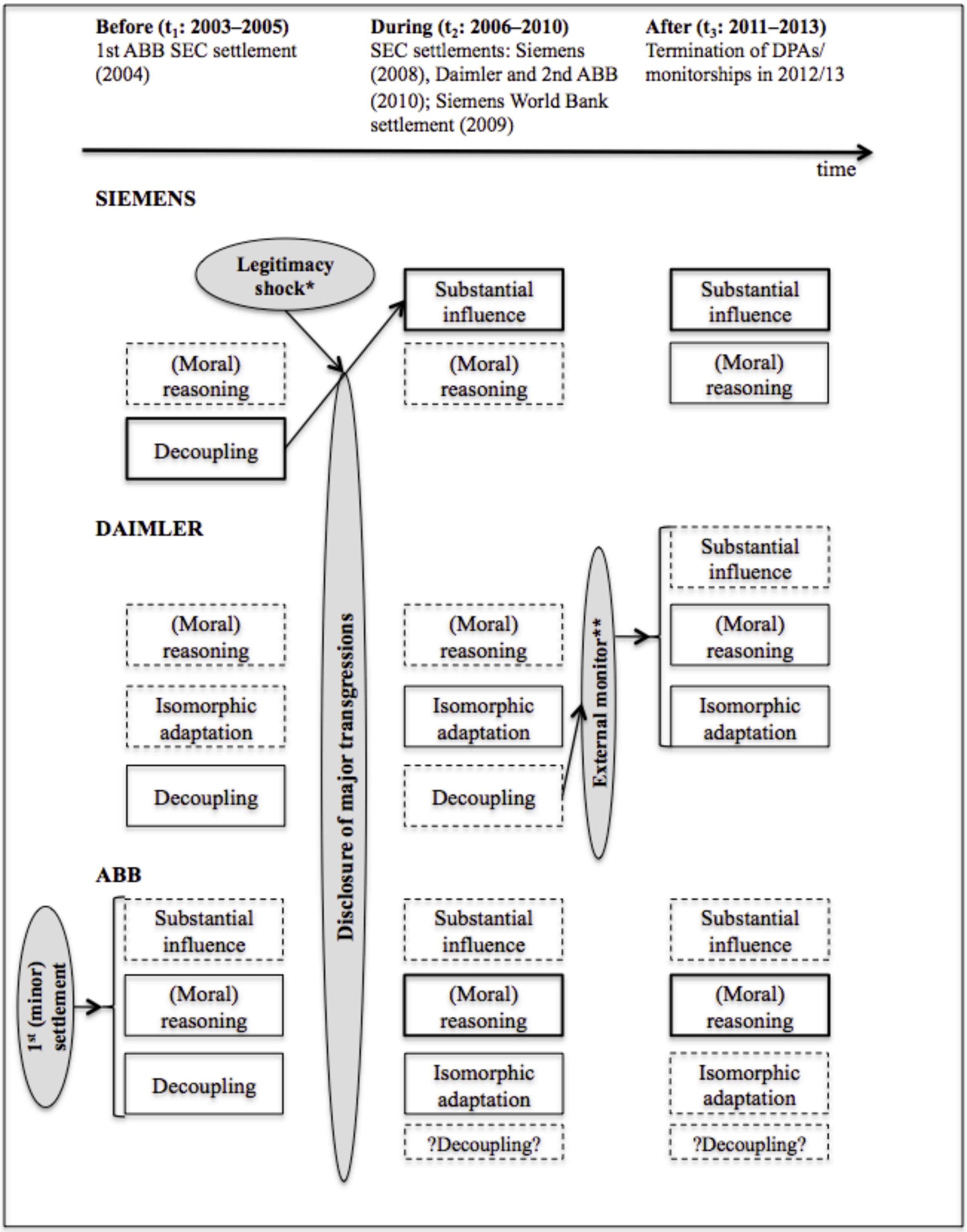
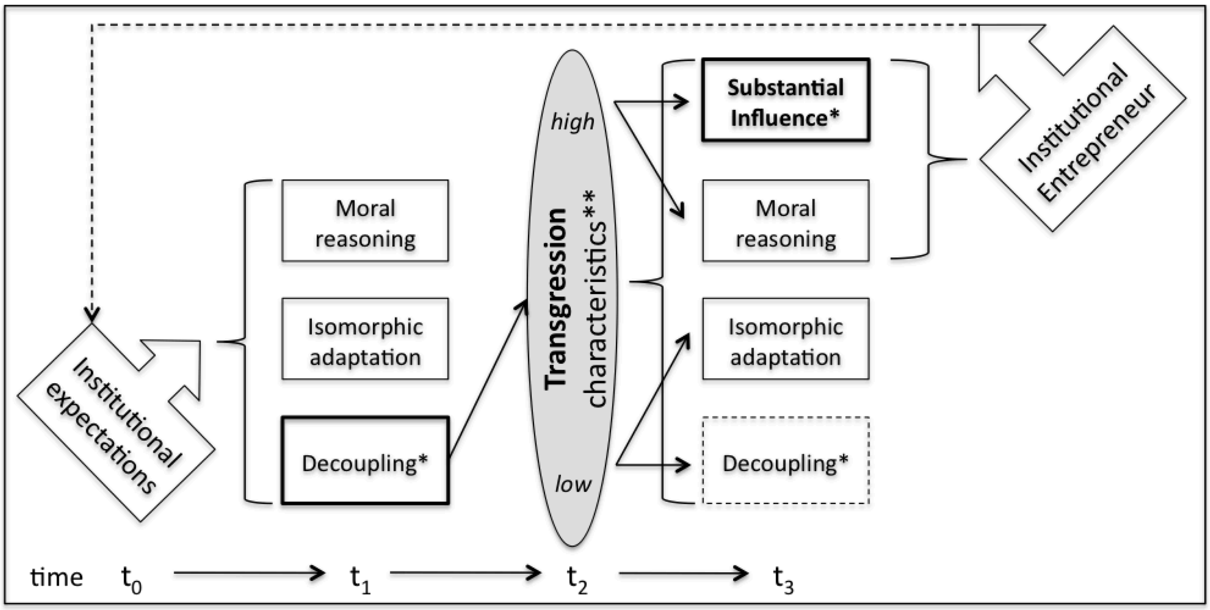


Figure 2: Analysis of the interplay between corruption transgressions and legitimacy strategies over time

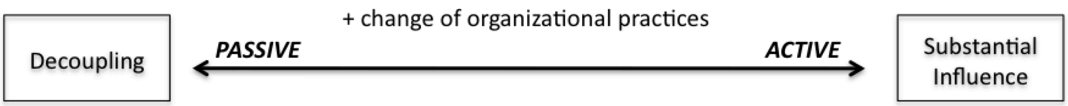


*Triggered by big investigation at Siemens HQ (Nov. 2006) **Strong critique in first year report

Figure 3: Theoretical Framework – Institutional expectations, transgression characteristics and legitimacy strategies



* Two extremes of 'strategic manipulation': manipulation of public perceptions (***ACTIVE***)



** Transgression characteristics: a) regulatory sanctions b) social sanctions

Table 1: Synthesis of Corruption Control Elements

Dimension	Elements	Key elements from original sources
Social/cultural corruption controls	**Leadership support** (e.g. CEO statement)	• SC guidelines: high-level personnel as overseer • CC tool (dimension I): strategic integration and leadership support
	Training (e.g. communication, awareness building, seminars, case studies)	• SC guidelines: effective communication • CC tool: training • See also OCC circumplex, type 7: self-controls
	Whistle-blowing procedure (e.g. anonymous complaint hotline)	• OCC circumplex, type 6: vigilance controls; Type 8: concertive controls (horizontal surveillance by coworkers) • CC tool (dimension II): creation of a complaints procedure
Administrative corruption controls	**Bureaucratic controls** (e.g. formalized rules, policies, hierarchical and centralized structure, specialized positions)	• OCC circumplex, type 1: bureaucratic controls • SC guidelines: compliance standards and procedures; due care in delegating substantial discretionary authority
	Alignment of incentives (e.g. via compensation plans)	• OCC circumplex, type 3: incentive alignments • CC tool (dimension II): alignment of incentive structures
	Monitoring and follow-up (e.g. risk assessment, audits, sanctions)	• SC guidelines: monitoring, auditing, reporting; enforcement and disciplinary mechanisms; response upon detection • OCC circumplex, type 2: punishment (measuring, monitoring and sanctions) • CC tool (dimension II): evaluation
Interactive corruption controls	**Collective Action** (e.g. integrity pacts, stakeholder dialogue, participation in voluntary anti-corruption initiatives)	• CC tool (dimension III): quality of stakeholder relationships; level of participation in collaborative CC initiatives • Beyond requirements of Lange (2008) and Sentencing Guidelines

Legend:

- CC = Corporate Citizenship (Baumann-Pauly & Scherer, 2013)
- OCC = Organizational Corruption Control (Lange, 2008)
- SC = Sentencing Commission (USSC, 2010)

Table 2: Data sources and corresponding perspectives in the analysis

Data types	Siemens	Daimler	ABB	Third parties (lawyers, auditors, NGOs, officials)	Perspective (purpose: triangulation)
Interviews (Germany and Switzerland)	3	2	2 (2 informants each)	4 (+ 1 formal and several informal interviews with academics)	Headquarter perspective
Interviews (Australia)	2	1	1	3 (+ 2 formal and several informal interviews with academics)	Subsidiary perspective (*low* perceived corruption risk)
Interviews (Southeast Asia)	3	1 (2 informants)	1 (now at Siemens)	13	Subsidiary perspective (*high* perceived corruption risk)
FCPA related documents	6	6	6	3	Regulatory perspective
Company reports and policies	12	9	13	-	Company perspective (detailed information on processes, structures and performance)
Media (RepRisk, Sep. 04, 2013)	138	40	10	-	Public/societal perspective

Table 3: Representative evidence from interview data

Perceived institutional challenges	
Perceived complex environment	**Code: Discrepancies between local social norms and legislation** 'Sometimes it is not just the political will, it's the whole culture of getting things done. (...) And for people who don't understand the cultural difference between the two countries, they won't accept that as normal' (Singapore Global Compact Network, President, Mar. 2014). 'There are differences in the understanding of corruption and the tolerance level. (...) So in some cultures, certain practices, although people know it is not right, they are commonly accepted' (Daimler Greater China, (Chinese) CM, Mar. 2014). 'Malaysia's got some of the best legislation in the world, but the political and social will to enforce it is often lacking' (TI Malaysia, Program manager, Apr. 2014). **Code: MNC facing heterogeneous corruption risks** 'Of course there are different risks in different countries' (Daimler, Senior CM, Nov. 2012).* 'Someone in Australia might say "you tell me I need to do x,y,z, but because I am low risk, I am going to do the low risk strategy" whereas "because I am in China, I am going to do the high risk strategy"' (Large professional services firm, Australia, Senior manager, Mar. 2013). 'The Australian culture is less prone to corruption because it is not seen as a cultural norm, whereas in other countries … (ABB Australia, IO & Regional counsel, May 2013). ,Insofar corruption quite is an everyday issue in Indonesia. This is of course completely different in Germany' (KADIN Business Support Desk Indonesia, Mar. 2014).* ,So they are basically killing themselves in a market like the Philippines. That's what they realized. It's like inflicting pain on yourself. You are allowed to bribe in this country here, welcome! But my parents would kill me' (ECCP Philippines, Mar. 2014).
Rising institutional expectations	**Code: Growing legislation on corruption of foreign officials** 'UK pressed ahead with the criminal liability of facilitation payments. FPs are not exempted from criminal liability in the UK Bribery Act' (Lawyer, Gibson Dunn, Nov. 2012).* 'Compliance and its increasing significance have to be regarded in its historical context. You know, until 1999 these topics were tax-deductible as beneficial expenditures' (Daimler, Senior CM, Nov. 2012).* 'Singapore has a law similar to the UK Bribery Act, or the FCPA, wherein they can be prosecuted for foreign corrupt acts' (CSR ASEAN, Manager, Mar. 2014). **Code: Growing enforcement of legislation** 'The department of public prosecution in Munich has discovered criminal conviction in the context of this legislation as some source of income. (…) There are high pressure mechanisms in the US' (Lawyer, Gibson Dunn, Nov. 2012).* **Code: Rising significance and awareness of corruption** 'But there was no great awareness for compliance issues. This was not something specific to Siemens, but it was also not present as an issue in society (Siemens, Senior CM, Nov. 2012).* 'There's something developing in the awareness of the public (in the Swiss market), and we are also contacted by clients to make things transparent' (Siemens, Senior CM, Nov. 2013).*
Context of transgression	
Legitimacy shock	**Code: Strong emotional shift from pride to consternation** As a company, we had not been in the press with any scandals or crises until that point of time. And we were also a tight-knit community in the sense of: Wow, we are a successful company, 160 years in business. And as a company and an employee of that company experiencing daily negative headlines, daily bashing, utterly leads to as an employee being personally affected. It also went so far that people reported that it in their families this was the main topic, or that friends asked how one could work for such a company and whether one ever knew about that. That they always thought that it was so nice that one was working for Siemens. Thus it was really personal. And a personal crisis for everyone. And I claim that there were extremely many people who had no idea about what was happening and there was a huge disappointment in the former Chairman and the top management (…) With these accusations and emotions it was clear to everyone that profound change must happen' (Siemens, Senior CO, Nov. 2012).* 'The psychology changes - people working for decades for the same company are now a facing this new situation' (Siemens Australia, HR manager, Feb. 2014). 'The scandal and the media behavior surely were the main trigger and also what has influenced the people in the organization the most … also worldwide. (...) It was a broader system and thus the consternation was a significantly higher one. (...) But the consternation, that is really shaken the corporate group as such and that it could also have developed quite differently, this has really permeated towards every single employee' (Siemens, Senior CO, Nov. 2013).* **Code: No choice but to radically and instantly react**

	‘A crisis helps, and such a scandal helps and we were at the point where we could only change the course or sink. And in this first step I think we have taken the necessary measures that (…) have helped us, to leave this deep valley of scandal and turn towards a success story. (…) Then the process of change started, but not gradually, but this compliance system was implemented under brute force. (...) It was just said do it, implement it, do it and everyone now has to do it. (...) The scandal, we had no chance. We had Public Prosecution Service in the house and as a New York Stock Exchange listed company of course also the SEC, so there was no choice’ (Siemens, Senior CO, Nov. 2012).* ‘”No other way“ Löscher said back then. (...) If 200 Bavarian officers, police with official cars are standing on Wittelsbacher Platz and finally enter and confiscate everything, even the computer, then this is not a little something’ (Siemens FCPA monitor, Oct. 2013).* ‘The other thing at the back of Siemens' head is, if they get caught again, would it be a blow they can still survive? (...) They don’t have a choice’ (CSR ASEAN, Manager, Mar. 2014).
External enforcement pressure	**Code: Pressure of external FCPA monitor** ‘This situation, the pressure of the monitorship no doubt has led us (…) to being forced to establish a compliance management system. (…) In my judgment however we have also established under the monitorship pressure at some positions a tight net of measures, processes and controls. (…) But overall, against the background of our history, we are ahead compared to many others. So I am not blaming them’ (Daimler, Senior CM, Nov. 2012).* ‘This was a crisis situation. With the end of the monitorship the situation has changed. (…) But we also needed this challenge, the critical point of view’ (Daimler, CM, Nov. 2013).* ‘There was a kind of agreement between the Group Compliance and Louis Freeh and his monitor team to install a local compliance office (...) We have undergone at Daimler a development in the last years facilitated by the monitorship’ (Daimler Greater China, CM, Mar. 2014). **Code: High scope and intensity of FCPA monitorship** ‘A monitorship is much more intense than usual auditing’ (Lawyer, Gibson Dunn, Nov. 2012).* ‘The monitor gave a lot of suggestions in his first report’ (Daimler, Senior CM, Nov. 2012).* ‘In 2011, the monitor team was 14 days in Australia’ (Daimler Australia, CO, Apr. 2014).* ‘First and foremost, the monitor has made visits also to China. Some of his visits have also led him to the JVs. So they are also aware at that time of their thinking’ (Daimler Greater China, CM, Mar. 2014).
	MNC legitimacy strategy
Decoupling	**Code: MNC policies not well communicated or enforced** ‘There were formalities and people dealing with compliance of these formalities (…). In my point of view it was simply lacking awareness for theses issue and as a result of that (…) it was also lacking awareness for consequent dealing when formalities were not met’ (Siemens, Senior CO, Nov. 2012).* ‘Until the year 2008 we did not do that in a quality that we considered and consider as necessary’ (Daimler, Senior CM, Nov. 2012).* ‘Siemens did not know how many accounts it had’ (Siemens FCPA monitor, Oct. 2013).* ‘Before I joined, we had a colleague who covered Greater China from Germany. She travelled to China from time to time’ (Daimler Greater China, (Chinese) CM, Mar. 2014). ‘So we single handedly started for example in Malaysia, it was a one man show’ (Siemens ASEAN, Regional CO, Apr. 2014).
Isomorphic adaptation	**Code: Compliance with external rules** ‘[The FCPA consultant] came out with a number of improvements which we implemented and which we reported on very regularly - with the Department of Justice and the SEC’ (ABB Australia, IO & Regional counsel, May 2013) ‘Mercedes went to the Government in the States and said, what we request, is rather than fining us this much, fine us this much and let us use this much to change our company. And they put it an FBI judge as their Chief Integrity Officer to give oversight’ (TI Malaysia, Apr. 2014). **Code: Gradual organizational change** ‘The difference between Siemens and Daimler is that Daimler has not changed its leadership team. Daimler played it differently’ (Lawyer, Gibson Dunn, Nov. 2012).* ‘We proceed step-by-step, so to speak’ (Daimler, Senior CM, Nov. 2012).* ‘The employees first of all shall be informed and then also qualified to deal with this context’ (Daimler, Senior CM, Nov. 2012).* ‘Perhaps in the first year when the monitor started, the feedback did not get back in a harmonized way from all over the world – politically speaking. (...) You cannot change a culture from one day to the other. This takes time.’ (Daimler Australia, CO, Apr. 2014).* ‘It was a constant amelioration of the CMS. (…) At latest with the DPA also the last employee

	knew the signs of the times' (Daimler, CM, Nov. 2013).* 'Mercedes said it took eight to ten years to really fix the company from top to bottom' (TI Malaysia, Program manager, Apr. 2014). **Code: Orientation towards leading business practices** 'Daimler adopted Siemens's Business Partner Tool' (Lawyer, Gibson Dunn, Nov. 2012).* 'I would say that the first two to three year we were quite ahead. In the meantime we realize that our peers follow (…). The issue controls, the pillar "detect" in many cases is not as developed as in our system, but regarding the "prevent" side I would say that there are comparable systems among our peers' (Siemens, Senior CO, Nov. 2013).* 'For ABB during that time (2010), when I was still there, we were in the start or in the process of implementation. (…) On ABB side, they have followed the same track' (Siemens Philippines, Sales manager (formerly at ABB), Apr. 11, 2014). **Code: Increase the efficiency of new compliance strategy** 'Here the main task insofar has relocated from coping with the acute situation and the need for the establishment of new processes towards the amelioration and sustainable implementation of achievements' (Daimler, compliance manager, Nov.2013).* 'The issue improvement in efficiency was one of the focus topics last year within the compliance organization' (Siemens, Senior CO, Nov. 2013).*
Moral reasoning	**Code: What is right and wrong? 'What should I do?'** "The world has changes and that is good. (…) I think it is fair to first inform and enable them (business leaders) to cope with this new context" (Daimler, Senior CO, Nov. 2012). (We are not allowed to display the quotes from ABB headquarters.) **Code: What is the ethical role of a MNC?** 'We don't want to be seen as culturally insensitive, as a European company trying to preach to others' (ABB Australia, IO Australia & Regional counsel South Asia, May 2013).
Substantial influence	**Code: 'We do more than we have to'** 'One audit department cannot deliver a big coverage for businesses in 190 countries. The control system as such, that we have introduced for our regulations and processes, is the more efficient one in that case I think' (Siemens, Senior CO, Nov. 2012).* 'All Siemens payments worldwide are centrally administrated via Munich. This is a voluntary step by Siemens, which cannot be found at most of the competitors. (…) Siemens lately voluntarily reported to the public prosecutor department three persons that were involved in the Kuwait affair. An internal solution, such as dismissal, however would have been sufficient' (Lawyer, Gibson Dunn, Nov. 2012).* 'We replicated the required global program throughout the Australian organizations despite the fact that we haven't had any issues' (Siemens Australia, Regional CO, Mar. 2013). 'I am convinced that Siemens is on top of the list. (…) Siemens has done more than what the legislator in America as well as in Germany expects' (Siemens FCPA monitor, Oct. 2013).* 'Siemens still is the gold standard in compliance' (Lawyer, Gibson Dunn, Nov. 2013).* 'The entire Collective Action Personal as well as the strategy process are not financed through the World Bank or other settlements' (Siemens, Head of CA, Feb. 2014)* 'We have developed a full-blown business partner tool, which I think is a very comprehensive tool. I doubt many of these organizations would have such a comprehensive tool' (Siemens Singapore, Regional CO ASEAN, Apr. 2014). **Code: 'We want to make sure everybody else does it too'** '[Siemens is] due to the scandal now surely the company with the most developed compliance system, which also triggers a high eagerness for knowledge among other companies to learn from that and to take over these issues. Not everyone has to invent something new. (…) Under the title "Collective Action" one of our goals is to transport our knowledge and experience towards the outside, make it available to others and build alliances with other market participants, simply to work together on fair competition' (Siemens, Senior CO, Nov. 2012).* 'In Collective Action Siemens also assumes a pioneering task. A separate person is responsible for the initiative, which underlines the seriousness of the initiative' (Lawyer, Gibson Dunn, Nov. 2012).* 'The Round Table in Switzerland is mainly pushed by Siemens' (HTW Chur, Jan. 2014) 'It helps to communicate it and make it public' (Siemens, CO regional entities, Mar. 2014).*

Table 4: Classification of transgression sanctions

Company	Type of sanction	Magnitude of sanction
Siemens	Legal/regulatory sanctions (fines and costs involved)	In December 2008, Siemens entered an agreement to settle the FCPA-related charges it had been called to pay, including the installation of an external monitor for a period of four years until December 2012 (SEC, 2008c). The fines imposed by US and German regulatory authorities amount to more than $1.6 billion; the organizational costs for rehabilitation are expected to surpass this figure. The costs for organizational changes made in response to these regulatory requirements are probably even higher. Altogether, we can ascertain with confidence that fines and costs involved in this Siemens corruption transgression are unprecedented.
	Social sanctions (prominence of transgression)	As we learnt in the course of our interviews, the disclosure of the transgression was rather unique and had an immense effect on social sanctions: In November 2006, i.e. before the SEC investigation, around 200 policemen and officials turned up at the Munich headquarters to confiscate material relevant to the corruption cases at Siemens. This action is likely to have made the magnitude of the problem obvious to almost every Siemens employee around the world and triggered an unprecedented level of negative media coverage on corporate corruption (see RepRisk, 2013). Even more, closely after this event, the prominent normative anti-corruption institution Transparency International Germany terminated Siemens's membership in December 2006. Overall, we thus describe the level of social sanctions as very high.
Daimler	Legal/regulatory sanctions	The fines Daimler paid to settle the SEC charges with the SEC and the DOJ amounted to around $185 million in total. Furthermore, an external monitor was installed pointing out major organizational compliance deficits (Spiegel, 2011); hence, the organizational costs to achieve rehabilitation are likely to be substantial. Comparing the magnitude of these costs to the costs that burdened Siemens, the overall level of fines and related costs at Daimler can be described as high.
	Social sanctions	The corrupt practices were disclosed by the SEC in March 2010 and the agreed DPA lasted from March 2010 to March 2013, so the Daimler transgression erupted at least one and a half years after the Siemens transgression. This may also explain why Daimler was not as much in the spotlight as Siemens, reflected in the significantly lower level of media coverage on corruption risks at Daimler (RepRisk, 2013). In the Daimler case, there was also no big and sudden investigative act to trigger instant and massive public awareness. The level of social sanctions can thus be described as medium to low.
ABB	Legal/regulatory sanctions	To settle the SEC charges, ABB agreed to pay more than $39.3 million. In this case, no external monitor was appointed, which together with the requirements listed in the DPA (DOJ, 2010) indicates that the organizational costs for rehabilitation are considerably lower than those of Siemens and Daimler.
	Social sanctions	The three-year DPA agreed with the SEC started in September 2010, almost two years after the Siemens agreement; moreover, the scope of the corrupt practices was limited to a few countries. This may indicate the rather low media coverage on compliance risks, especially compared to the Siemens case (see also Table 2) supports our assessment: from 2006 to 2013, we found only 10 entries on corruption-related reputation risk concerning ABB in the RepRisk database, compared to 138 for Siemens and 40 for Daimler (RepRisk, 2013). The level of social sanctions can thus be described as low.

Table 5: Analysis of corruption controls before, during and after the corruption transgressions

Dimension	Criteria	Before (t_1: 2003–2005) • 1st ABB SEC settlement (2004)	During (t_2: 2006–2010) • 2006: Investigation at Siemens HQ • SEC/WB settlements: Siemens (2008, 2009), Daimler and 2nd ABB (2010)	After (t_3: 2011–2014) • Termination of DPAs and monitoring in 2012/2013
SIEMENS				
Social/ cultural corruption controls	**Leadership support**		• Strongest anti-corruption statement by CEO • Separate board position	• Board position abandoned after end of monitorship
	Training		• SO3 fully covered	
	Whistle-blowing procedure		• Most* details on complaint procedure *(*always compared to other case firms)*	
Administrative corruption controls	**Bureaucratic controls**	• Several policies and rules	• Strongest centralized structure and approval processes • Most compliance staff	• Slight easing of approval processes/thresholds
	Incentive alignments		• Bonus–malus system	• 'Yellow cards' if compliance at risk
	Monitoring and follow-up		• Additional audits by compliance team, SO2 and SO4 covered	
Interactive corruption controls	**Collective Action**	• Participation • TI terminated membership (2005)	• Own integrity initiative • TI membership renewed	• SO5 fully covered
DAIMLER				
Social/ cultural corruption controls	**Leadership support**	• Leadership statement (2005)	• Separate board position	• Clear signals against self-servicing attitude
	Training	• First to partially cover SO3	• SO3 fully covered	
	Whistle-blowing procedure	• Explicit reference to corruption		
Administrative corruption controls	**Bureaucratic controls**	• Several policies and rules	• Third-party accounts significantly reduced	
	Incentive alignments			

	Monitoring and follow-up	• First to partially cover SO2 and SO4	• SO4 fully covered	• Strong assessments and series of sanctions
Interactive corruption controls	**Collective Action**	• Participation	• SO5 fully covered	• SO5 fully covered • UNGC Lead
		ABB		
Social/ cultural corruption controls	**Leadership support**	• First to include zero-tolerance statement	• Separate board position	• Board position maintained after end of DPA
	Training	• SO3 partially covered	• SO3 fully covered	• Case-study approach
	Whistle-blowing procedure	• First to report on complaints procedure	• Prominently promoted in HQ lobby, on website …	
Administrative corruption controls	**Bureaucratic controls**	• Several policies and rules		• Lowest level of details during interviews
	Incentive alignments			
	Monitoring and follow-up		• SO4 partially covered (2006)	• Lowest level of details during interviews
Interactive corruption controls	**Collective Action**	• First to join PACI	• Most voluntary memberships among case firms	

Legend:

- DPA = Deferred Prosecution Agreement; monitorship = external monitor imposed by SEC
- Bullets: information mainly retrieved from document analysis (not comprehensive; most significant aspects merely listed)
- Shading: Comprehensiveness of criteria coverage ranging from not/fractionally covered (white) to very comprehensively covered (dark grey). Assessment also incorporates focus and details obtained through interviews; this remains partially subjective, due to constraints in scope of investigation.
- SO2–SO5 (Global Reporting Initiative indicators): SO2 (percentage and total number of business units analyzed for risks related to corruption); SO3 (percentage of employees trained in the organization's anti-corruption policies and procedures); SO4 (actions taken in response to incidents of corruption)
- PACI = Partnering Against Corruption Initiative; TI = Transparency International

THIRD DISSERTATION PAPER

MAKING SENSE OF DECOUPLING THROUGH NARRATION: THE CASE OF FIGHTING CORRUPTION IN GLOBAL BUSINESS

Stefan Schembera

stefan.schembera@business.uzh.ch

Patrick Haack

(Coauthor)

patrick.haack@business.uzh.ch

Andreas Georg Scherer

(Coauthor)

andreas.scherer@business.uzh.ch

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MAKING SENSE OF DECOUPLING THROUGH NARRATION: THE CASE OF FIGHTING CORRUPTION IN GLOBAL BUSINESS

Abstract

Previous organizational research on decoupling in the context of socio-environmental governance has suggested a trade-off between compliance and goal achievement, meaning that remedying the decoupling of policies and practices tends to jeopardize efforts to remedy the decoupling of means and ends. We expand on previous research on the trade-off between compliance and goal achievement by examining the spatiotemporal processes of sensemaking by which the meaning of compliance and achievement is negotiated among multiple actors. Taking a qualitative analytical approach we examine the evolution of anti-corruption policies at Siemens and other actors, and describe how different anti-corruption narratives have developed over time at different locations and how they have been linked to each other. We explain that through narration actors develop a shared understanding of what it means to be compliant and successful and that through communicative interaction compliance and achievement are mutually constituted. Our study contributes to decoupling research by examining the ideational underpinnings of the compliance-achievement gap.

Keywords

Compliance, Decoupling, Fighting Corruption, Goal Achievement, Sensemaking

INTRODUCTION

Decoupling is a prominent concept in organization theory ever since the seminal contribution by Meyer and Rowan (1977). For a long time, scholars focused on the analysis of deviations between actual practices and formal policies of organizations, i.e., they explored instances of policy-practice decoupling (for an overview, see e.g. Boxenbaum & Jonsson, 2008). More recently, the deviation between practices and intended outcomes has caught scholarly attention and was identified as another type of decoupling, "means-ends decoupling" (Bromley & Powell, 2012; Wijen, 2014). Wijen (2014), for example, has theorized the existence of a tradeoff between strict compliance with formal policies and the achievement of intended outcomes. He suggests that policy adherence is not conducive to goal attainment but can in fact jeopardize organizational objectives in cases where the links between policies and outcomes, due to their complexity, are not well understood.

A deeper analysis of the existence, causes, and relationships between different kinds of decoupling is particularly relevant in the context of globalization: In this setting, multinational corporations (MNCs) operate in complex institutional environments across multiple geographic spaces, are often confronted with heterogeneous demands and have to balance different expectations with regard to the appropriate design of socio-environmental governance (Kostova & Zaheer, 1999; Scherer & Palazzo, 2007). On the one hand, MNCs are pressured to adopt globally practices and norms that have been institutionalized at the home country level. On the other hand, implementing a unified set of practices in the whole MNC network is difficult in the presence of conflicting demands imposed by various stakeholders and host country actors (Scherer, Palazzo, & Seidl, 2013), because "satisfying some demands requires defying others" (Pache & Santos, 2010, p. 455). In this view, policy-practice decoupling is not only relevant in a mono-spatial context of conflicting demands within a school or hospital

(Meyer & Rowan, 1977) but particularly prevalent in the multi-spatial MNC context (Kostova, Roth, & Dacin, 2008; Pache & Santos, 2010).

Nonetheless, there is an increasing demand in the institutional environment of organizations for enforcing transparency and accountability to ensure compliance, i.e. the tight coupling of policy and practice (see Kostova et al., 2008; Wijen, 2014). In the context of complex and opaque socio-environmental governance, however, scholars have suggested that enforcing compliance is unlikely to yield the results formal policies intend to achieve; compliance may affect negatively the flexibility to cope with complex institutional demands (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Pache & Santos, 2010; Scherer et al., 2013) thereby undermining prospects of goal achievement (Bromley & Powell, 2012; Wijen, 2014). In other words, the trade-off between compliance and goal achievement seems particularly pronounced for MNCs.

While advancing our understanding of the challenges in socio-environmental governance, this stream of research has not yet sufficiently addressed the role of multiple actors, interests and interpretive schemes that are involved in the heterogeneous settings of global business, as well as the role of developments over time that may render decoupling a transitory or at least flexible phenomenon. Notions of 'compliance' and 'achievement' are therefore highly contested; their meaning is not fixed but negotiated within a dynamic and non-linear process of sensemaking (Haack & Schoeneborn, 2015; Weick, 1995). In the context of socio-environmental governance, sensemaking results from cognitive and linguistic processes and involves the construction of a shared interpretation of ethically contentious issues (Basu & Palazzo, 2008; Reinecke & Ansari, 2015). Communication is central for actors to make sense of a practice and the underlying means-ends relations and to eventually accept and enact behavioral prescriptions (Green, 2004). Acknowledging that sensemaking happens in and through communication or storytelling in particular (Boje, 1991, p. 106), here we focus on the analysis of ‘narratives’, i.e. recurrent practices of storytelling that include a causal interpretation of a time sequence involving focal actors, events, motivations, activities and outcomes. Narratives contribute to the process of sensemaking by embodying “a sense of what is right and wrong, appropriate or inappropriate” with respect to the achievement of a certain objective (Pentland, 1999, p. 712). Empirical analyses hence need to be concerned with identifying and thoroughly scrutinizing the pivotal role of narratives for making sense of compliance and achievement.

We will analyze narratives on compliance and goal achievement and their mutual relationship by exploring the case of the global fight against corruption. We define corruption as the “misuse of an organizational position or authority for personal gain or organizational (or sub-unit) gain, where misuse in turn refers to departures from accepted social norms” (Anand, Ashforth, & Joshi, 2004, p. 40). In particular, this paper focuses on anti-corruption at the German MNC Siemens AG (Siemens) and includes a diverse set of related corporate and non-corporate actors in the anti-corruption field. After rehabilitating from a corruption scandal of unprecedented scope in 2006/07, Siemens has gone through a process of radical change while public authorities have closely inspected its structures and procedures (Gebhardt & Müller-Seitz, 2011). Siemens is now considered the benchmark in corporate anti-corruption programs and in many respects the company acts as a corporate pioneer in the global anti-corruption environment. Other Western MNCs such as Daimler AG or ABB Ltd. have also significantly increased their anti-corruption efforts after having faced corruption scandals in the recent past (Schembera & Scherer, 2014). Therefore, one can assume that formal policies – reflecting Western anti-corruption norms – and actual daily practices at Western MNCs such as Siemens are likely to be closely aligned (Hartmann, 2012; Schembera & Scherer, 2014). At the same time, however, severe corruption risks continue to persist in many countries across the globe

(TI, 2012). This may point to difficulties of achieving desired goals and question the impact of single actors in the global fight against corruption.

We examine the possible tension between compliance and goal achievement in the global fight against corruption by asking: *Through which narratives do actors in the anti-corruption field make sense of the relationship between compliance and goal achievement? How do narratives relate to each other and develop over time and space? In turn, how do narratives affect the compliance-achievement relationship among central actors in the anti-corruption field?*

Our analysis of sensemaking among central actors in the anti-corruption field suggests that through narration actors develop a shared, yet space and time contingent, understanding of the relation between compliance and achievement allowing them to cope with complexity in the anti-corruption environment. Scholars recently identified the effect of the interplay of space and time on comprehensions of everyday life (Lefebvre, 2004) and MNC internationalization or resource planning (Haley & Boje, 2014; Quattrone & Hopper, 2005), and we expand that to compliance and achievement in fighting corruption. We argue that even compliant MNCs and various types of non-corporate actors from the Western hemisphere implicitly accept practice-policy decoupling of actors from certain high corruption-risk geographic spaces for a certain period of time. Crucially, they perceive this interaction of compliant and (transitory) noncompliant actors to be a necessary means towards achieving anti-corruption goals in the longer term. Our analysis thus shows that rather than treating compliance and achievement as objectively observable or specifiable, their meaning is mutually constituted and thus subject to change.

We contribute to scholarship in organization theory by showing how taking into account narratives in the interaction of different actors across space and time puts the postulated tradeoff between compliance and goal achievement (Wijen, 2014) into perspective. That is, the tradeoff itself is a product of social construction. Furthermore we discuss the implications of our findings for fighting organizational corruption and corporate social responsibility (CSR) in general. Specifically, our research clarifies that the mainstream notion of a universalistic approach of anti-corruption is unlikely to achieve desired outcomes. We demonstrate that the meaning of corruption is locally embedded and is negotiated over time, with unknown and often unanticipated results.

Below, we describe the evolution, context and assumptions as well as the limitations of existing theoretical perspectives on decoupling. Based on this review, we craft our research questions before introducing the case context and methodological approach to answer these questions. Finally, we present the findings and discuss the contributions of our study.

THEORETICAL BACKGROUND

Coping with institutional complexity: Theoretical perspectives on decoupling

In the following, we identify and compare two theoretical perspectives on decoupling in previous research, which we label 'the classic view' and 'the instrumental view'. Based on our review of these perspectives and the empirical findings obtained in this study, we suggest further down a third 'integrative view' on decoupling expanding the two previous perspectives, and provide an illustrative overview of the three perspectives.

The classic view: Policy-practice decoupling

The concept of decoupling has received much scholarly attention ever since the seminal contribution by Meyer and Rowan (1977). These authors described decoupling as a response to cope with complex or even contradictory demands in an organization's environment by creating a gap between formal policies and actual organizational practices. According to this "classic" notion of decoupling (Haack & Schoeneborn, 2015), the adoption of formal policies and structures in conformance with external expectations allowed organizations to maintain legitimacy, i.e. the social acceptance among its key constituents (e.g. Suchman, 1995). A main focus especially in empirical studies within this perspective was to confirm the presence of decoupling, i.e. scholars have sought organizations whose practices do not comply with issued policies (see Boxenbaum & Jonsson, 2008, p. 85). For example, the presence of policy-practice decoupling has been studied in the context of affirmative action officers in United States colleges and cities (Edelman, 1992; Edelman, Petterson, Chambliss, & Erlanger, 1991) or a railway company in Sweden (Brunsson & Olsen, 1993). We understand the presence of policy-practice decoupling as being synonymous to noncompliance; vice versa, we treat compliance and policy-practice coupling as equivalents in this paper.

A central assumption of policy-practice decoupling is the avoidance of social evaluation, understood as outside monitoring and inspection (Pfeffer & Salancik, 1978). Meyer and Rowan (1977, p. 357) assume that:

> “[i]nstitutionalized organizations protect their formal structures from evaluation on the basis of technical performance: inspection, evaluation, and control of activities are minimized, and coordination, interdependence, and mutual adjustments among structural units are handled informally.“

Decoupled organizations can maintain legitimacy despite a lack of coordination and control due to the prevalence of “confidence and good faith” among their internal and external constituents. The logic of confidence and good faith, in turn, is upheld through a variety of practices, including the ascription of great autonomy for organizational subunits to allow for avoidance and discretion (Goffman, 2005), or the maintenance of face among individual participants (March & Simon, 1958). Further underlying this decoupling perspective, especially in earlier studies, is an understanding of actors as passive recipients of external constraints (DiMaggio & Powell, 1983).

Like the exemplary works on decoupling mentioned above, many studies within this classic view of decoupling tend to restrict their analysis on one geographic space: they examine decoupling within a college, city, hospital or government agency among other (see also

Goodrick & Salancik, 1996; Greenwood et al., 2011; Heimer, 1999; Tilcsik, 2010). Moreover, for a long time this theoretical perspective evoked the impression that decoupling may be a stable means to cope with institutional complexity (in particular, see Meyer & Rowan, 1977), albeit more recently scholars also refer to the potential volatility of this phenomenon (Boxenbaum & Jonsson, 2008, p. 88; Scott, 2007; Tilcsik, 2010).

The instrumental view: Means-ends decoupling

In contrast to the classic decoupling view addressing a gap between policies and practices, the instrumental view describes decoupling as a gap between means and ends. Rather than investigating noncompliance this perspective focuses on the uncertain relationship between implemented practices and the achievement of goals envisaged by developers and implementers of these policies (Bromley & Powell, 2012; see also DiMaggio & Powell, 1983; Wijen, 2014).

There are two central reasons for the emergence of this different perspective on decoupling: First, scholars observed that in recent decades external pressures on organizations toward accountability, assessment, and transparency have intensified leading to an 'audit society' or 'audit culture' (Bromley & Powell, 2012; Power, 1999; Strathern, 2000). Through increasing NGO pressure (Den Hond & De Bakker, 2007) and regulatory influences, organizations are pushed "to align their policies and practices more closely and to conform to external evaluative criteria" (Bromley & Powell, 2012, p. 484) making decoupling of policies and practices increasingly difficult and instable. Applied to the context of globally operating corporations, Kostova et al. (2008, p. 1000) explain the current trend towards compliance as follows:

> "because MNC actions worldwide are increasingly transparent, it would be risky to engage in manipulation of compliance instead of actual adoption. The actions of MNC units are also visible and transparent when the intraenvironment is considered. Subunit activities are likely to be monitored and controlled internally through formal and informal mechanisms."

In sum, growing monitoring and control efforts increasingly displace the logic of confidence and good faith in today's business environment.

Second, and parallel to growing demands for transparency, organizations are more and more expected to take over the role of corporate citizens addressing transnational problems in spheres like the environment or labor norms (Matten & Crane, 2005; Scherer & Palazzo, 2007). Today, many stakeholders have growing expectations vis-à-vis global corporations and demand that these firms help solving societal problems that may well extend or even be far removed from the corporate objective of producing goods and services efficiently (Brunsson, 1989). Scholars refer to this trend of corporations increasingly taking on public responsibilities as rationalization of the institutional environment (Boli, 2006). While the transparency trend challenged central assumptions of the classic decoupling perspective, the environmental rationalization trend then led to the emergence of the instrumental means-ends perspective rather than displacing the decoupling concept as a whole (Bromley & Powell, 2012).

In this instrumental decoupling view, it has been suggested that especially in the complex and opaque context of socio-environmental governance where practices, causality, and outcomes are hard to understand and trace, mitigating policy-practice decoupling is unlikely to yield the results for which policies have been designed (Wijen, 2014). Some scholars have even suggested a trade-off between substantive compliance and goal achievement arguing that "institutional entrepreneurs who remedy the policy-practice decoupling may enhance the disparity between means and ends, and vice versa" (Wijen, 2014, p. 302). 'Institutional entrepreneurs' thereby refers to resource- and powerful actors who create new or change existing institutions (Battilana, Leca, & Boxenbaum, 2009; Hardy & Maguire, 2008). This claimed trade-off is justified by the conclusion that the adopted policies are inappropriate. Remedying means-ends decoupling has then become the key research interest in this debate.

The instrumental view further differentiates itself from the classic view by highlighting more centrally the role of agency, for example by referring to the concept of institutional entrepreneurs, thereby acknowledging the possibility of more active responses of organizational actors to conflicting environmental expectations. Even more, by focusing on global socio-environmental governance and sustainability standards (Wijen, 2014), this view expands the mono-spatial or local focus typically applied in the classic view to a global dimension.

Limitations in previous perspectives on decoupling

The classic and instrumental views of decoupling significantly enrich our understanding of the relation between policies and practices, means and ends. However, both perspectives contain limitations that may obscure a more comprehensive understanding of the phenomenon. Most notably, our literature review of existing decoupling perspectives revealed a limited understanding of decoupling with regard to three criteria: (1) the role of developments over time, (2) the role of (geographic) space, and (3) the applied epistemological stance.

(1) Underlying the lines of reasoning in the recently emerged means-ends decoupling debate and especially in earlier studies within the policy-practice decoupling perspective is a static conceptualization of decoupling. By 'static' we refer to the missing analysis of social dynamics in the decoupling process and the presumption that decoupling is stable and lasts for good. Arguing that either institutional entrepreneurs ensure substantive compliance among adopters, thereby compromising the achievement of intended (socio-environmental) goals, or they favor flexibility in compliance to warrant goal achievement, thereby risking symbolic adoption Wijen (2014, p. 313) evokes the impression of taking a static view on decoupling. Addressing the complex nature of socio-environmental problems, Wijen (2014, p. 310) highlights that "institutions such as sustainability standards that are conducive to compliance prescribe and incentivize adherence to clear rules" may create a 'waterbed effect', i.e. solving one problem while creating another (see also Dasgupta, 2000; Timmermans & Epstein, 2010). While acknowledging the importance of time (Wijen, 2014, p. 313), dynamics in the relation between compliance and achievement have not yet been incorporated in the central line of reasoning in the means-ends perspective.

(2) While the classic view originally focused on decoupling in local mono-spatial settings such as colleges, hospitals or government agencies, the instrumental perspective expands the geographic space by focusing on the global context of socio-environmental problems. Wijen (2014, p. 313) refers to the potential benefit of introducing context-specific 'niche institutions', i.e. arrangements classifying in between individualized agreements and universal institutions, for reducing the compliance-achievement tradeoff. We aim to expand that by addressing whether and to what extent the relation between compliance and achievement varies dependent on a particular regional space within this one global context.

(3) Several more recent studies in the classic decoupling perspective (e.g. Hallett, 2010; Tilcsik, 2010) and central studies in the instrumental view (Bromley & Powell, 2012; Wijen, 2014) tend to assume that a gap between policies and practices or means and ends is objectively observable, i.e. they often take an objectivist epistemological stance (see also Haack & Schoeneborn, 2015; Haack, Schoeneborn, & Wickert, 2012). An 'objectivist' view on decoupling emphasizes the importance of studying the nature of relationships among the elements constituting decoupling as a stable structure. In the instrumental means-ends perspective, the tradeoff between compliance and achievement tends to presume that envisaged societal goals are rather fix and do not allow for interpretability or flexibility. Examples such as categorical bans on child labor or FAIRTRADE insisting that small farmers join cooperatives referred to in this debate illustrate this postulated rigidity (Wijen, 2014).

However, these conceptualizations of decoupling and the trade-off between compliance and goal achievement do not fully acknowledge the fact that in the heterogeneous settings of global business multiple actors, interests, and interpretive schemes are involved. In such a complex and multi-spatial context, notions like 'compliance' and 'achievement' may not always be uncontested. Arguments from scholars taking a social-constructionist viewpoint, which presumes that the social world amounts to a continuous process which is enacted through individuals (Morgan & Smircich, 1980), address this issue. From this point of view, one may expect that the meaning of compliance and achievement as well as the relationship between the two is no longer fixed but negotiated within a dynamic and non-linear process of sensemaking (see Haack & Schoeneborn, 2015; Weick, 1995). Communication is central in this process allowing actors to make sense of a practice and the underlying means-ends relations and to eventually accept and enact behavioral prescriptions (Green, 2004). In line with previous research on the communicative underpinnings of standardization (Haack et al., 2012), we perceive the analysis of *narratives* to be particularly useful to explore the sensemaking processes of the compliance-achievement trade-off. Language, or narration, in this view is not literally reflecting reality but also creates and influences attitudinal and behavioral dispositions affecting actual choices (Cunliffe, Luhman, & Boje, 2004; Green, 2004; Pentland, 1999) such as the enactment of compliance of organizational policies and practices.

Addressing the identified limitations in previous decoupling perspectives by taking a dynamic, multi-spatial and social-constructionist view on decoupling based on an analysis of compliance and achievement narratives this study aims to explore: *Through which narratives do actors in the anti-corruption field make sense of the relationship between compliance and goal achievement? How do narratives relate to each other and develop over time and space? In turn, how do narratives affect the compliance-achievement relationship among central actors in the anti-corruption field?*

Case context: (De)coupling in the global fight against corruption

In this study, we want to empirically analyze the challenges identified in the classic and instrumental views of decoupling, particularly with regard to their assumptions with respect to time, space and social reality. Organizational corruption in today's globalized economy is the predestined setting to examine the decoupling phenomenon in all its types and occurrences spanning multiple heterogeneous geographic spaces and depicting significant dynamics in recent years. No corporate actor has undergone more severe organizational changes and nowadays plays a bigger role in this global anti-corruption field than Siemens, as we will outline in the following.

With the process of globalization, corruption has expanded transnationally, i.e. the involved corrupt actors and practices span multiple states. For example, an MNC with headquarters in one country may supply bribes to a government official in another country. Indeed, scholars argue that some forms of corruption, bribery in particular, are criminalized in every country of the world (Hess & Dunfee, 2000, p. 613; Nichols, 2012, p. 352). However, considerable heterogeneity exists with regard to what counts as corruption, tolerance levels and cultural expectations across countries and regions (Quah, 2011; TI, 2012). Under these conditions it is difficult for MNCs to determine behavior that is acceptable both in the host and in the home country context. When a business firm complies with social norms that are accepted in one context (e.g. the host country) this may lead to the deviation from different norms and expectations in another context (e.g. the home country) (Scherer et al., 2013). On the one hand anti-corruption legislations and business conventions of Western origin expect MNCs to apply globally uniform anti-corruption rules. On the other hand the cultural values and social norms in other parts of the world, especially in emerging economies, often demand certain forms of business practices that contradict with Western standards (see Salbu, 1999; TI, 2012). This complexity and heterogeneity in the MNC environment resulting from a combination of universal rules and locally diverging business norms appears to be tailor-made for policy-practice decoupling.

However, as a result of increasing enforcement of Western transnational anti-corruption law (GibsonDunn, 2013), more and more Western MNCs were recently hit by a wave of corruption scandals and are now pressured to closely align their anti-corruption policies and practices (Gebhardt & Müller-Seitz, 2011; Schembera & Scherer, 2014). Between 2006 and 2008, German and US investigators discovered a corruption scandal at Siemens that was unprecedented in scale and geographic reach: "The corruption alleged in the SEC's complaint involved more than $1.4 billion in bribes to government officials in Asia, Africa, Europe, the Middle East, and the Americas" (Director of the SEC's Division of Enforcement, SEC press release, Dec. 15, 2008). As a response to this scandal, also the company's efforts in setting up anti-corruption processes and universally applying strict anti-corruption processes worldwide were unprecedented (Gebhardt & Müller-Seitz, 2011; Hartmann, 2012; Schembera & Scherer, 2014). Other Western MNCs such as Daimler, ABB, General Electric or Shell developed compliance programs that nowadays come close to the one at Siemens in many regards (Schembera & Scherer, 2014). Such MNCs (now) tend to strictly comply with the universal prescriptions of transnational anti-corruption laws of Western origin such as the Foreign Corrupt Practices Act (FCPA) or the UK Bribery Act (Nichols, 2012). We thus expect that the recent enforcement trend has made policy-practice decoupling for MNCs originating in the Western hemisphere increasingly difficult.

Despite this potential compliance, i.e. policy-practice coupling, trend among Western MNCs and the ubiquity of laws condemning corruption, corruption is perceived to persist in every country of the world and in some regions even appears to remain the standard way of doing business (TI, 2012). To respond to the persistence and heterogeneity of corruption risks in its institutional environment and promote organizational compliance with anti-corruption rules, Siemens has put strong focus on 'collective action', i.e. "methods, activities, and alliances to jointly combat corruption" (Pieth, 2012c), involving peers, government and society (Zindera & Forstnig-Errath, 2013). Indeed, Siemens agreed on a settlement with the World Bank regarding allegations of systemic corruption in 2009 (World_Bank, 2009). The company committed "to pay $100 million over the next 15 years to support anti-corruption work" (World_Bank, 2009, p. 1). Nonetheless, it appears safe to say that Siemens's collective action efforts, from the establishment of a whole collective action organizational unit to comprehensive and continuous communicational efforts, go well beyond the terms of the World Bank agreement and aim to achieve a homogenization of organizational anti-corruption processes in its environment (see also Schembera & Scherer, 2014).

In sum, although the recent trend of enforcing transnational anti-corruption law has pushed several MNCs to comply with globally uniform rules or even actively engage themselves in the fight against corruption, the general perception in society remains that corruption persists in global business (TI, 2012) suggesting that goals have not yet been achieved.

METHODS

Research design

Studying the relation of compliance and achievement in the context of fighting corruption in global business from a social-constructionist standpoint is a rather novel endeavor. Consequently, it appears not possible to deduce testable hypotheses from previous studies on this matter. We therefore chose to pursue an inductive and dynamic research design in order to identify and analyze narratives on compliance and achievement. As outlined in our review of the decoupling perspectives, a sensemaking view on compliance and achievement appears promising to examine how establishing a shared understanding of compliance and achievement is a dynamic context specific and interactive process which spans multiple actors, localities and periods. We thus want to examine the role of narratives and narration in the anti-corruption field. In particular, we seek to answer through which narratives actors in the complex and heterogeneous anti-corruption field make sense of the relationship between compliance and goal achievement. We further aim to shed light on the relation and development over space and time of these narratives. Ultimately, we may provide tentative evidence on how these narratives affect the compliance-achievement relationship at Siemens.

This analysis requires engagement with different types of actors in different institutional contexts with regard to anti-corruption. *First*, with regard to actors, we identified one central corporate multinational actor that has been affected and now itself affects the anti-corruption field – the German based MNC Siemens AG. Taking this firm as a sort of starting base for and red line through our analysis, we approach further corporate and non-corporate actors that are directly or indirectly related to Siemens. *Second*, with regard to institutional contexts, we selected two ‘extreme cases’ with respect to the phenomenon of interest (Strauss & Corbin, 1998), one displaying very low levels of perceived corruption risks and the other very high levels: Western Europe on the one hand and Asia on the other (TI, 2012).

Data collection

Our collected data consists of two primary sources, which we will present in the following: (1) 42 semi-structured interviews with representatives of Siemens and various other actors in the anti-corruption field, and (2) documentary data such as annual reports, handbooks or media coverage. In Table 1 we provide an overview of interviewees, organizational affiliation and interview type (face-to-face, phone) as well as sources of documents.

Interviews. From November 2012 to April 2014, two of the authors conducted a series of 40 formal face-to-face and telephone interviews with central actors in the anti-corruption field. The range of interviewees includes representatives from different MNCs, NGOs (non-governmental organizations), IGOs (inter-governmental organizations), government, business chambers and field experts from practice and academia. However, reflecting our chosen focus on the case of Siemens, the central corporate actor in the anti-corruption field (Gebhardt & Müller-Seitz, 2011; Schembera & Scherer, 2014), many of these interviews either involve representatives of Siemens or interviewees connected to the case of Siemens, e.g. through their professional role. In addition, one author conducted two informal interviews with local people not directly acting in the anti-corruption field, a taxi driver and a small guesthouse owner formerly affected by corruption in the shipping industry.

For a first ‘grounding’, we collected interview data in low corruption risk contexts as part of a wider research project on fighting corruption. Having asked about the organization of corruption controls after a scandal in a first part of these interviews, we learned why and how certain actors have installed comprehensive compliance systems (Schembera & Scherer, 2014) and proceeded in the latter part of these initial interviews with questions on how these clean business process work in high-corruption risk contexts. We thereby looked for narratives on compliance and goal achievement with regard to the global fight against corruption. While this data mostly represented a centralized headquarters (HQ) perspective, we expanded our analysis in a second round of interviews to include local perspectives from actors in high corruption-risk countries. We chose the Southeast Asian region plus China considering that many countries in this region exhibit not only fundamental differences in cultural values and social norms compared to many Western countries, but also some of the highest corruption risks (Luo, 2002; TI, 2012). Furthermore, pragmatic reasons such as English (except for China) as a common communication language and the presence of several collective action programs in SE Asia (Siemens, 2013) as well as good access to experts helped us to create important insights from this case. Interviews lasted between 45 to 120 minutes. They were tape-recorded and transcribed, except for the very few cases where the interviewee refused. For validation purposes, we sent all transcripts back to the interviewees, and in few cases received edits most of which clarified acoustical misunderstandings.

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Documentary data. Parallel to and interconnected with the interview data collection we complemented our qualitative analysis by including documentary data. Most notably, we collected documents relating to the organizations of the interviewed actors. This included email correspondence, annual reports, corruption publications such as brochures, handbooks or guides, and press coverage. These documents were of particular help to follow-up on interviewee cues and trace developments in the anti-corruption field over time.

Data analysis

To make best use of the dynamic process of data collection, we chose an inductive analytical approach meaning that our analysis of narratives started when data collection began (Corbin & Strauss, 1990; Gioia, Corley, & Hamilton, 2013; Hardy & Maguire, 2010). After each small set of interviews, the interviewer(s) took notes and discussed emerging themes among the coauthors. This allowed us to adjust and fine-tune our interview guides in order to follow-up on specific cues in a next round of interviews. Once we had a comprehensive set of interviews and documentary data collected, we applied a systematic process of open coding using qualitative analysis software NVivo to develop and validate emerging structures in our data (Hardy & Maguire, 2010). Along this process of working through the various interviews and documents, we iteratively refined, consolidated or separated emerging codes. The coding structure was discussed among coauthors at various points along this process to address any ambiguities.

For example, we asked informants in our interviews how they perceive corruption risks in different regions worldwide and whether they think that there are different local understandings of corruption. Responses were mostly in accordance with well-established corruption perception indicators such as the corruption perception index (CPI) by Transparency International (TI) yet in certain instances also revealed ambiguities as to what counts as corruption. Further, we asked corporate respondents about the biggest challenges they face with regard to corruption when doing business abroad and how they deal with such challenges. Such questions triggered plenty of stories on compliance and noncompliance of actors from various regions of the world. Another central part of the interviews was to ask about recent developments in the fight against corruption and about goals envisioned by different actors. Answers typically included elements of stories on achievements and non-achievements, while responses with regard to anti-corruption goals hardly ever referred to clearly defined indicators but most often triggered metaphors including some kind of moving or flexible element.

Observing such a frequent use of metaphors and anecdotes in the interview responses reinforced our chosen focus on the analysis of narratives. We started our systematic narrative analysis by identifying recurrent utterances and narrative patterns (Hardy & Maguire, 2010), which we structured along the geographic space and time perspective addressed in the interview and documentary data. On this first, and lowest, level of analysis we aimed to identify codes that closely reflect the wording of our interview partners (see also Gioia et al., 2013), termed 'story elements' in our study. We added a *focus* classification for each of these story elements, stating headquarters (*HQ*) if it was predominantly used with respect to the Western hemisphere, subsidiary (*sub*) if it refers mainly to the Asian (high corruption-risk) context, and *global* if it applies worldwide. Similarly, we noted if the 'story elements' refer to the past (t_0), present (t_1) or future (t_2; t_x emphasizing continuous processes). We then aggregated these story elements on a second level into whole 'stories', which themselves can be defined as fragmented yet recurring patterns that together constitute an overarching narrative (see Haack et al., 2012). Consequently, we use the term 'narrative' on the third and highest level of aggregation. 'Stories' combine the wording of respondents with information gained through the research process, whereas 'narratives' are then mainly informed by the research process. This three-level approach of structuring our data is well in line with recent inductive qualitative analyses (Gioia et al., 2013) and appears best appropriate to us to balance specificity and clarity. Figure 1 summarizes the 5 narratives, 9 stories and 23 story elements jointly comprising our data structure.

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FINDINGS

We focus the presentation of our findings on sensemaking of compliance and achievement with regard to corruption in global business across space and time. In the following, we first focus on the present use of narratives across different geographic spaces before looking at developments of narratives over time within and across geographic spaces in a second step. Third and subsequent to the discourse analysis, we do include a set of prominent anti-corruption indicators to analyze the effects of the assessed sensemaking process on recent anti-corruption developments. Two data displays are part of this findings section. Figure 2 illustrates the coupling process model over time and space by distinguishing three time dimensions (t_0: past, t_1: present, t_x: future) and three space dimensions (West, East, Global) according to previous space-time conceptualizations (Bakhtin, 1986; Haley & Boje, 2014). Table 2 shows further supporting data to provide additional evidence for our findings.

Making sense of the present

With respect to making sense of the status quo of fighting corruption in global business, our systematic data analysis outline above revealed three central narratives: the *compliance despite non-achievement* narrative, the *noncompliance as means for achievement* narrative, and the *collective action* narrative.

Compliance despite non-achievement

The *compliance despite non-achievement* narrative, applied by various actors mostly referring to the Western context, can be summarized as follows:

> *Compliance despite non-achievement*. More and more Western MNCs have now implemented strict compliance programs as a result of corruption scandals and law enforcement in the recent past. These MNCs often have no other choice but to adhere to Western laws of global reach despite the fact that in many parts of the world corruption is still regarded as a common business practice.

This narrative combines two main surface stories, i.e. fragmented yet recurring narrative patterns (Haack et al., 2012), that are often used in context with each other: a *substantive com-*

pliance story on the one hand and a *no-level-playing-field* story on the other hand. The former story draws on three main elements: 'complying with the rules', 'identifying clean business', and confident voices in the sense of 'yes we can' (conduct clean business in dirty contexts). The baseline element of this story is the perceived need for MNCs originating in the Western hemisphere to comply with global anti-corruption rules despite the continuous heterogeneity of perceived corruption risks across the globe (TI, 2012), often construed as a result of having faced or observed numerous scandals and increasing enforcement in the recent past (GibsonDunn, 2013). This story element is used by different types of actors, including corporate (e.g. "The public prosecutor's office was investigating at our premises and, as a listed company at the New York Stock Exchange, of course the SEC as well. There was no choice." Division and Regional Compliance Officer Siemens Switzerland) (see also Schembera & Scherer, 2014), and non-corporate actors (e.g. "hit by a lot of violation sanctions already, your controls have already matured to the point that you cannot afford any grey area in your policies." Programme Director ASEAN CSR Network (ACN)). As a direct consequence to this construed lack of alternatives to strict compliance, corporate actors state that "[o]ur intention is basically to identify good partners" (Siemens ASEAN Compliance Officer), for example by applying due-diligence processes like the Siemens Business Partner Tool in the business partner selection. Third, to make sense on why clean business is actually possible even in dirty contexts, we found plenty of encouraging reasoning à la 'yes we can' at Siemens but also at several other powerful MNCs. As the Finance Director of Shell Philippines Exploration puts it:

> "We are a known brand. So yes, you could say it's a market power, because Shell is a big player and we are known not to go into any under-the-table deals. (...) So, when we say no, they don't insist. And we are still able to go through with our partners."

The downside – i.e. latter part – of the *compliance despite non-achievement* narrative becomes evident in the *no-level-playing-field* story told by various actors explaining why compliance not necessarily leads to achievement referring to persisting differences of corruption risks and conceptualizations between Western and Asian geographic contexts. It is composed, on the one hand, of ‘limiting the impact or responsibility of individual actors’ and the ‘persistence of corrupt or intransparent business elsewhere’. These story elements reflect the arguably widely diffused perception, e.g. as evident in the Corruption Perception Index (TI, 2012), that there is clean (or fair) business in the West and corrupt (or unfair) business in many other regions worldwide. Or, as the Programme Director of ACN summarizes the industry rumors on the challenges of Siemens: “we guys, we need to play fair, you local guys are not playing fair“. Thereby, actors highlight challenges of transferring Western practices to high corruption-risk countries: “Siemens alone cannot make a change“ (Compliance Officer for ASEAN, Siemens) or “as far as the JVs (joint ventures) are concerned, ... we also do not have the possibility and the right to now - let’s say - force them to take over Daimler compliance tools or methodologies“ (Regional Compliance Office at Daimler Greater China).

On the other hand, there are elements of the no-level-playing-field story that question the ‘common’ distinction between clean and dirty, or fair and unfair. Actors refer to the global ‘ambiguity of what actually counts as corruption’ for example with respect to tipping and lobbying in the US (interview with TI Malaysia, among others), or the role of ‘managing perceptions’ e.g. as to how financial hubs like Singapore – or even Switzerland – are perceived as clean despite the fact that funds from risk zones come in and exit (Siemens ASEAN Compliance Officer). Most interestingly, actors make sense of such ambiguities as providing possibilities for ‘complying with rules but violating principles’:

> “So you can work with the letter of the law, but leave out the spirit. So you can be 100% compliant, but no system is 100% perfect. So you can deal with all the rules, and you can still bypass them at key points, and get what you want. And that is the difference between compliance and integrity.” (Business Integrity Programme Manager, TI Malaysia)

This crucial story element combines the limits of anti-corruption law, the ambiguity in anti-corruption definitions and the difference between compliance and integrity. It thereby synthesizes not only major parts of the no-level-playing-field story but also of the overarching compliance despite non-achievement narrative.

To conclude, the *compliance despite non-achievement* narrative suggests that certain actors originating from Western Europe or the US appear to have taken a pioneering role by installing a comprehensive set of compliance processes that, potentially, allow them to do business in a 'clean' way despite the persistence of considerable heterogeneity with respect to corruption levels across different geographic spaces. Interestingly, however, due to the inherent definitional ambiguities and the perceived lack of a waterproof anti-corruption law – beside certain firm characteristics – such formally strict compliance processes do not necessarily result in a lack of (Western) actor flexibility.

Noncompliance as means for achievement

Parallel to this narrative, we find stories clustering around what we call the *noncompliance as means for achievement* narrative. While originally sponsored mostly by actors originating from high-corruption risk context, now actors also from the Western hemisphere tend to use this narrative. It interprets the context of initial anti-corruption norm adoption in high-risk contexts like Southeast Asia (SE Asia) and can be summarized as follows:

> *Noncompliance as means for achievement*. Firms originating in high-risk regions like SE Asia come from a very different context and are at a very different stage of development compared to Western MNCs. Quick wins are not always possible in such a heterogeneous situation. Getting noncompliant actors on board first is necessary to gain momentum toward the achievement of global anti-corruption goals.

While substantive compliance is increasingly perceived as the only option for Western MNCs, the vast majority of interviewed actors regards – a transitional phase of – noncompliance for actors originating in high corruption-risk contexts as inevitable. Even more, they perceive this initial step of committed, albeit non-compliant, adopters as a promising if not necessary mean to gradually achieve compliance and anti-corruption goals globally. Accordingly, this narrative is captured through two main stories: *acknowledging heterogeneity* and *reaching out.* Concerning elements of the former, actors of different type are ‘highlighting others’ particularities’ with respect to high corruption-risk regions and engage in ‘perspective-taking’. While the previous *no level playing field* story was restricted on identifying heterogeneity, actors are now also making sense of and even relativize heterogeneity. Highlighted particularities for example refer to the country level …

> „ … the agreement was [that] there is no ranking and in a way it also makes sense, because you cannot really compare apples and oranges, you know, countries with very different backgrounds, with very different level of content, very different contexts.“ (Regional Anti-Corruption Adviser SE Asia and Pacific, UNODC)

… or firm level: small firm size is repeatedly used as a reason leading to repercussions like delays when rejecting to bribe (Finance Director, Shell Philippines). Interestingly, actors even express understanding for others’ particularities when taking their perspective, as done for example by the Regional Compliance Officer for ASEAN at Siemens:

> It’s about the person who’s not earning so much and sees now someone’s giving me more. What would I do? I take that. So there are so many different dimensions to it. Singapore government, basically, their administers are paid as much as a CEO of a company is paid.

As we picture it, this *acknowledging heterogeneity* story about actors making sense of why others are different and being able to take different perspectives is crucial to understand the narrative’s other story on the need for *reaching out*. Having identified or even acknowledged such heterogeneity in the anti-corruption field, actors of all types (excluding a former representative of Singapore’s anti-corruption law enforcement agency CPIB) argue for the importance of ‘getting others on board first’ in order to be able at all to ‘gaining momentum and conditioning people’s minds’. To let the data speak, the Regional Anti-Corruption Adviser for SE Asia and the Pacific at the United Nations Office on Drugs and Crime (UNODC) explains that “our first agenda is usually ... we get them on board, because once they do that ... then we have a clear framework to work with them. (...) to get them on board you need to use a system they are all open to“. The Secretary General of TI Malaysia gets right to the point when noting that “[w]e have to go across the board. The more the merrier, my friend“. Most of the times, this element is directly succeeded by the other reaching out story element, arguing that "[o]nce they have actually ratified, they have obligations. (...) it also creates a momentum in countries to do it, because sometimes even the national authorities may want to do it, but they may not have the momentum or the support ..." (UNODC, SE Asia and Pacific). Appealing to people's principles and values, a representative of the Integrity Initiative in the Philippines financed by Siemens even notes that, compared to a hard approach of fighting corruption,

> "[i]t's the better approach actually (to) make people go back to their values, reflect on them, because at the end of the day that's really what's happening in the world – … you are too selfish about your own needs, you won't think of other people. It's all ethical issues. These are not legal issues."

Collective action

Up to now, we identified the parallel existence of two – on first sight opposing – narratives both incorporating extremes within themselves: one making sense about compliance and non-achievement, the other dealing with noncompliance and achievement. An outside observer ignoring the discourse among central actors may have observed contradictions between these two narratives. However, the process of conferring meaning to the perceived differences as evident in the various stories told by actors seems to resolve or at least reduce such contradictions. In particular, actors from low and high corruption-risk contexts make sense of certain linking mechanisms between the two narratives, which taken together we identified as a *collective action* narrative. Figure 2 illustrates the relation of the three narratives. This narrative focuses on the relation between actors from different geographic and institutional contexts and can be summarized as follows:

> *Collective Action.* There is so far globally a different functional understanding of corruption that has to come together. Joint efforts between different actors are necessary to exchange knowledge and practices and identify common grounds for areas of collaboration.

Linking the two narratives above, we found the collective action narrative to be made up of two central story elements, *educating* and *leveling the playing field*, told mostly from actors with origins in the West. Concerning the first, we noted with interest that this narrative is not understood as a one way message falling on deaf ears; rather there are story elements on both ‘leading by example’ and ‘willingness to learn/need for guidance’. On the side of the sender, we heard Western actors in high-risk regions say that “[s]ome of these experiences and lessons learnt, … we also want to share with our JVs.“ (Daimler, Greater China). The Finance Director of Shell Philippines provides clear evidence on best practice sharing and makes sense of it:

> “ ... (at) the quarterly leadership forum, I gave our contractors our hotline. I told them ‘if you think there is something you need to report, use this hotline or get in touch with your contract holder. … like I said earlier, *be the example*, because … the difference between an intelligent person and a wise person (is) the intelligent person learns from his mistakes. The wise person learns from the mistakes of others.”

Commenting on the current situation in the Philippines, a representative of Integrity Initiative acknowledges that “[t]his is really unique in the Philippines. It’s the private sector trying to change the landscape.“

Various actors from high-risk contexts receive such initiatives with benevolence, stating that

> “[i]n all areas there is a learning requirement. (…) the advanced companies, we are counting on these guys to really help us spread the word. (...) because of Siemens, we were able to access a resource that’s critical in fueling our efforts, because there is no other mechanism working like that anywhere in the world. Even FCPA, if they get the fees from the penalties, it doesn’t go into the fight against corruptions.” (Integrity Initiative, Philippines)

Even governments appear to be willing to learn from private actors, as the Regional Compliance Officer for ASEAN at Siemens highlights: “he (Jericho Petilla, young new energy secretary of the Philippines) says ‘we need the support from various sectors, in this case Siemens’. And that I believe is one form of a vision also for a government to improve.” NGOs like TI Malaysia express their appreciation of transferring best practices by mentioning “[o]therwise, we would be talking to companies: how do we fulfill compliance?”. The process of sending and receiving best practices is also often told in direct combination: “we’re encouraging the advanced companies to provide the best practices, the templates, the tools, to have the lower-rated guys improve and reach that advanced level also" (Integrity Initiative, Philippines).

The *collective action* narrative is not limited to the *educating* story, but includes a *leveling the playing field* story. Whereas in the *compliance despite non achievement* narrative stories were told focusing on a *lack of a level playing field*, in the *collective action* narrative the *leveling the playing field* story focuses on the means to achieve desired ends; the framing is constructive and links already to a future oriented narrative, which we will turn to in the next section. One crucial story falling under this narrative is the need for 'uniting actors and their thinking' which is often seen as the only option to navigate through complex waters, as pictured by the Secretary General of TI Malaysia:

> "in this world, we are now 173 ships, (but) nowadays, we have to be one hundred and seventy three cabins in a big liner. And this is where we are working together. ... 173 countries moving around the ocean. We are really lost. (...) we can no longer become a ship, we are 173 cabins in one big ocean liner working together."

With regard to specific uniting mechanisms, actors see potential in „creating a round table with all integrity officers from multinationals to private sectors to government linked companies to company agencies (...) to start openly talking about topics, networking, creating basically a stakeholder concept " (Regional Compliance Officer ASEAN, Siemens).

Beyond the construed need of getting together, the leveling the playing field story also entails elements on actually 'finding common grounds'. NGOs like Integrity Initiative in the Philippines see their role to assist foreign firms dealing with corrupt governments: "this is where we come in. We try to expose the deal in such a way that it is a level playing field. That's why we are important here." Our interview partner at Shell Philippines, proudly shared with the interviewer the company's successful interaction with the Philippine government: "we engaged the department of finance in coming up with a tax regulation saying that in order to prevent smuggling, ... why don't you impose tax on all products and then if the company is able to prove that they re-exported it, then they get a refund on their tax.” However, finding common grounds is not always as straight forward as in this case involving a powerful corporate actor and a willing government to close regulatory loopholes. Instead, the Leader of Collective Action at Siemens uses the metaphor of a “flowerbed, where it is uncertain which bulbs will bear fruit”.

Crucially, by including the analysis of anti-corruption documents, we found that this shared understanding about and educative and gradual approach to level the playing field though collective action only evolved over time. In earlier documentary data we found a much higher reference to so-called project specific ‘integrity pacts’, whose objective is to “[c]reate (a) level playing field ... by external monitoring of processes“ (Collective Action guide developed by the World Bank, UNGC, TI and Siemens among other, 2008). Monitoring of compliance, sanctions and external auditors have been identified as central elements in collective action that have to come into play directly after a first start-up workshop. Having recently interviewed representatives from Siemens, TI and the UN and examined very recent anti-corruption collective action publications, we can assess that now these actors refer much less to compliance-focused ‘integrity pacts’ and much more on commitment-oriented dynamic ‘integrity pledges’, whose ultimate goal is to “gradually move toward self-assessment” (Collective Action publication, ACN, funded by UK Foreign and Commonwealth Office, 2014).

------------------------------ Insert Figure 2 about here ------------------------------

Whereas this shift of story elements over time occurred with one overarching (collective action) narrative, we will turn in the following section to developments and shifts of story elements across different narratives, highlighting that the interviewed actors identified time as the crucial element in fighting transnational corruption. In fact, without acknowledging dynamics over time the interviewed actors would not be able to make sense of the two extremes of *compliance despite non-achievement* on the one hand and *noncompliance as means for* *achievement* on the other. We elaborate on the role of time in making sense of (non)compliance and (non-)achievement in the following section.

Making sense of the future (and past)

Progress as achievement

Often directly succeeding actors' narration about differences of compliance and achievement across multiple geographic spaces, we identified several storytelling patterns that can be summarized as a *progress as achievement* narrative. This narrative is nowadays shared by different types of actors from different institutional contexts. Rather than merely referring to changes in high corruption-risk regions it includes (positive) effects of anti-corruption developments for Western corporate actors and anti-corruption institutions thereby spanning across the global context of anti-corruption goal achievement:

> *Progress as achievement.* Progress takes time, but our efforts start bearing fruits. Western MNCs like Siemens helped to openly discuss corruption in public, which was not possible some years ago. Cases in high corruption-risk regions pop up in the media and people go to jail.

Despite the fact that various actors referred to strict compliance with regard to several Western actors in the *compliance despite non-achievement* narrative, on a global level actors do not seem to picture a fully compliant or corruption free world any time soon; they do not make sense of strict compliance as a reachable goal. Rather than referring to global anti-corruption goal achievement in absolute terms, actors construe any type of progress in this global context as achievement per se. "The end-goal of the Corporate Integrity Pledge is to have its collaborators work together with all the signatories in taking the pledge forward …" (Collective Action publication, ACN). Put differently, in such a complex context involving corporate and sovereign non-corporate actors, the journey itself becomes the destination.

We detected the two stories *progressing step-by-step* and *open-ended process* as constitutive of this narrative. 'Allowing for time to progress' is a central element of the former story. Representatives from MNCs in the headquarters and subsidiaries believe that “these [collective action] processes take a lot of time” (Vice President Compliance, Siemens HQ) concluding that “you are going to take baby steps with this topic“ (Sales Representative, Siemens Philippines). Similarly, NGOs like TI Malaysia note “most of us want to see success overnight, but you would not get this success of fighting corruption overnight. It takes some time“.

To support their logic of small steps, actors highlight that the seeds planted in the past are already ‘bearing fruit’. For example, a representative of Integrity Initiative Philippines perceives that “[n]o, actually his administration is bearing fruit” when asked about a potential disappointment of the high hopes regarding the new Philippine president Aquino over the next years. The Compliance Officer for ASEAN at Siemens uses both story elements jointly highlighting that “[y]ou have to accept the fact that it’s going to take time to make change. But said that, from where it was 10 years ago to where it is [now], there is change.” Instead of referring to any specific performance oriented anti-corruption indicators, actors identify certain perception-based cues as signs of progress. For example, the Regional Anti-Corruption Adviser for SE Asia at the UNODC notes “the global discourse has changed a lot in the past 20 years. Corruption has become an issue that is discussed globally. There is much more awareness about it. (...) it is still sensitive politically, but it’s not a taboo that it used to be.“ Similarly, although knowing that TI’s corruption index (CPI) is purely perception based, many actors in the anti-corruption field refer to developments of CPI rankings over time as an indicator for progress in the fight against corruption. Finally, actors from within the high-corruption risk context highlight that small progresses from a Western perspective are actually big when regarded from their perspective: “these changes happen in very small cycles but they are considered big changes.“ (Compliance Officer for ASEAN, Siemens).

What has already implicitly shone through in the *progressing step-by-step* story is now explicitly outspoken in the *open-ended (*or even: *never ending) process* story. Actors regard full compliance on a global level as being out of reach portraying the fight against corruption as an 'ongoing effort demanding constant recalibration':

> "It means that you have to continuously do things. It's not only about the laws you have to pass. You have to have systems in place. You have to have prevention systems in place. You have to be implementing those laws. You need to have institutions which are capable of implementing all these normative frameworks. They need to have the capacity to do that and so on. (...) And these reforms I think it's very naïve to think that you can pass these laws, and you can have an anti-corruption agency and everything, and you solved the corruption problem." (Regional Advisor ASEAN, UNODC)

The Secretary General of TI Malaysia highlights the need for continuous recalibration when noting: "… the weakness is that people take advantages. Or, it is that they find more loop-holes existing in law and regulation. So you come back to the square one." Similarly, by using the flowerbed metaphor on the uncertainty of which bulbs may bear fruits, the Leader of Collective Action at Siemens expresses the need to remain flexible with regards to means and outcomes in the fight against corruption. When looking at the global picture, actors even tend to relativize the presence or possibility of full compliance in the Western context: "I think it is very difficult in the area of anti-corruption to say that ever about any country: ... you are perfectly implementing" (UNODC, ASEAN). Rounding up this open-ended process is the element of framing goals in terms of 'gradually raising the bar':

> "Now, what ... [we] want to do with the ASEAN CSR Network is to create a regional network gradually; first with countries which are ready, but then bring all of them. And that has two purposes. One is to create another level of commitment among companies from the region …, to bring them all on the same level with their compliance system, to help coordinate, help exchange. But on the other hand, I also hope that they could bring more pressure on their governments, demanding actions from the government." (ACN)

This element makes sense of the goals that are underlying the *leveling the playing field* story and the *collective action* narrative as a whole. Rather than formulating goals as specific outcomes such as 'eliminating informal side payments in project bids globally by 2030' or 'eradicating intransparent financing of a business partner's children's education by 2020', goals are stated in abstract terms such as raising commitment, help coordinate and leveling the playing field. It thereby seems to presume the fluid nature of defining means and ends in the fight against corruption as told in the previous story element.

To sum up, the phenomenon we identified in this sensemaking process in the global anti-corruption field is that actors from both the Western and Asian context speak with confidence about future progresses and seem to share a common understanding on what is acceptable and what is not. This shared meaning is observed despite – or rather because of – the fact that all actors do not have a predefined set of goals in mind and all seem to share the underlying conviction that eradicating corruption will never be possible.

Noncompliance

Finally, focusing on the past context when making sense of developments over time, we identify the almost uniform use of a *noncompliance narrative* by all interviewed actors with regard to Western MNCs in the time before having faced a recent series of scandals. Although actors often avoid referring directly to noncompliance in the past, through actors' comparisons of the present and past, we at least indirectly identified elements of 'insufficient anti-corruption processes' and 'lacking awareness and/or wrong mindset' in the past clustering around a *symbolic adoption* story (Schembera & Scherer, 2014). With regard to the global context, both story elements are generally told. In contrast, when talking about the Western HQ context, actors tend to attribute noncompliance as a result of the latter element. The Regional Compliance Officer for ASEAN at Siemens perceives this distinction as follows:

> So we single handedly started for example in Malaysia, it was a one man show. We built up a three men team. We went into trainings. We went into process improvement, implementation and roll-outs. And then today, it's up to a state where it is sustainable business, so to speak.

Also contrasting the present against the past and focusing on the latter story element on the lack of principles, a German Daimler representative now responsible for compliance in China remembers: "There was a huge effort to involve the entire company in formulating this new integrity code to make it better understandable (…). So I think it is a totally different culture, and you can't compare it to the one many years ago."

To sum up, as illustrated in Figure 2, we found that central (non)compliance and (non)achievement narratives can develop and change with respect to one certain geographic context over time, and can coexist across multiple geographic spaces at the same time. In the Western hemisphere, we have clearly observed a shift from *noncompliance* to *compliance despite non-achievement* in line with arguments regarding the transparency trend and consequences of a set of corruption scandals of Western MNCS in the recent past. This latter narrative referring to the Western hemisphere currently coexists with the *noncompliance as means for achievement* narrative applicable to the SE Asian context. Both narratives appear to be of transitional use, as we identified them to be most often used by actors in close connection the progress as achievement narrative. They are linked through the *collective action* narrative, which is told by actors from both HQ and subsidiary, i.e. low and high corruption-risk, contexts to express the hope for dynamics over time. This future oriented focus in the sensemaking processes about the fight against corruption in global business then results in a *progress as achievement* narrative.

------------------------------ Insert Table 2 about here ------------------------------

Interplay of narration and tangible anti-corruption developments over time

Looking at recent developments in the anti-corruption field, there is tentative evidence that narratives can be related to certain material changes in the anti-corruption environment. Of course, anecdotal relations between narratives and material events are not a final proof of the constitutive nature of narration on real world outcomes, but they allow important insights into how communication and commitment oriented anti-corruption efforts and initiatives can translate into objectively observable anti-corruption developments.

Most notably, the planting seeds and bearing fruit metaphors within the collective action and progress as achievement narratives seem to connect with observable outcomes. For example we can observe not only rising signatory numbers but also rising numbers of self-assessments or more advanced implementation among participants in local integrity initiatives within ASEAN (see e.g. integrityintiative.com). Moreover, Siemens lists examples such as the establishment of local committees in Brazil to promote the concept of 'clean (Olympic) games', the setting up of a Summer Academy/Masters in Anti-Corruption Studies or even a compliance pact with several competitors in the field of energy transmission in Argentina, suggesting that "[i]n several markets, the Collective Action of Siemens and its partners has now started to tangibly bear fruit" (Siemens Compliance System, 2013).

Following up on interviewees' cues, we could also empirically observe the recent replacement of corrupt government officials by young and untainted personnel: the Philippine president Benigno Aquino III. ("actually his administration is bearing fruit", Integrity Initiative Philippines), the Indonesian president Joko Widodo, as well as the new and young energy secretary of the Philippines Jericho Petilla are examples in this regard. Moreover, the communicative efforts of Shell Philippines directed to the Philippine government have led to the material outcome of engaging the Philippine government in the enhancement of tax measures that help curtail oil smuggling. Two months after our interview with the Finance Director of Shell Philippines, the Philippine government representative Terry Ridon, who is primarily concerned with the reduction of oil smuggling explicitly "recalled a statement issued to media last February 2014 by Pilipinas Shell Petroleum Corporation Country Chairman Edgar Chua" (press release, House of Representatives, Republic of the Philippines, 08 June 2014).

DISCUSSION AND CONCLUSION

Previous perspectives on decoupling significantly enrich our understanding of the relation between policies and practices, means and ends. This study aimed to further contribute to the decoupling debate by addressing central aspects that have not been fully incorporated in existing decoupling debates and thus may obscure a more comprehensive understanding of the phenomenon. First, we expand insights from previous decoupling views by focusing on a multi-spatial geographic context. Second, we contribute to the instrumental view and early studies of the classic view by treating decoupling as a purely dynamic phenomenon. Third, applying a social-constructionist perspective, we add to previous works on decoupling, which suggest that policies, practices and outcomes are objectively observable and clearly definable. Integrating different actors and interests across multiple spaces and developments over time by taking a narrative approach that acknowledges both material and ideational dimensions of decoupling, we develop in the following an 'integrative view' on decoupling (see Table 3).

------------------------------ Insert Table 3 about here ------------------------------

We thereby contribute to the current decoupling literature by showing how the tradeoff between compliance and goal achievement as postulated by Wijen (2014) can be put into perspective by taking a multi-spatial and dynamic narration-oriented approach.

The integrative view: Dynamic (de)coupling

In our decoupling literature review, we outlined that recent developments like the transparency trend challenged central assumptions of the classic policy-practice decoupling view (e.g. Meyer & Rowan, 1977). Due to another trend, referred to as 'rationalization of the environment', an instrumental view on decoupling emerged (Bromley & Powell, 2012; Wijen, 2014). While the classic policy-practice decoupling perspective focused mainly on mono-spatial institutional complexity, the instrumental view expanded the geographic focus to the context of global socio-environmental governance. However, several studies within both views tend to neglect the social-constructionist tradition (Berger & Luckmann, 1967) that inspired the very first works on decoupling (Meyer & Rowan, 1977).

As summarized in Table 3, our study incorporates a social-constructivist epistemological stance. That is, we focus on the analysis of narratives and find that the meaning of compliance and achievement, and the relationship between the two, is no longer fixed but negotiated within a dynamic and non-linear process of sensemaking (see also Haack & Schoeneborn, 2015; Weick, 1995). Depending on the means available and valuable to involved actors, they may identify goals which appear worthwhile to them (Joas, 1996). Consequently, decoupling is described in our 'integrative view' as a 'flexible understanding of compliance and achievement' (see Table 3). Moreover, this view perceives actors in the anti-corruption field as being more interactive compared to the rather passively or actively responsive actor behavior assumed in the other two decoupling views. Not only regulatory institutions, but also many MNCs nowadays openly share and actively promote their anti-corruption practices with various actors worldwide. In the Philippines, for example, we even noted that "it's the private sector trying to change the landscape" (Integrity Initiative, Philippines).

Table 3 also depicts the central assumption of our integrative view that the 'meaning of compliance and achievement is 'reciprocally typified', i.e. mutually constituted among the involved anti-corruption actors. In the following we outline the reasoning behind this assumption by elaborating on the space and time dimensions of our integrative view. We thus further illustrate the pivotal role sensemaking (through narration) plays for gaining a holistic, i.e. material and ideational spatiotemporal (Haley & Boje, 2014), understanding of compliance and goal achievement.

Incorporating space: Making sense about geographic contingencies

First addressing the space dimension, we contribute to the decoupling literature by suggesting that the means-ends debate should expand further beyond an objectivist either-or (i.e. either compliance or noncompliance) perspective (see e.g. Wijen, 2014). Rather, we propose a social-constructionist, i.e. sensemaking, both-and perspective taking into account spatial contingencies of (non)compliance in relation to the achievement of global societal goals. The role of making sense of geographic differences through storytelling has been recently identified in studies on everyday life and MNC internationalization (Haley & Boje, 2014; Lefebvre, 2004). However, previous studies on compliance and achievement in the context of socio-environmental governance insufficiently recognize the potential of sensemaking to create a shared understanding of an interaction between compliant actors and noncompliant actors. Instead, scholars tend to regard compliance and noncompliance in clear separation, stating that (1) ensuring substantive compliance compromises the achievement of intended goals, while (2) favoring flexibility in compliance warrants goal achievement yet risks symbolic adoption (Wijen, 2014, p. 313).

Our findings as summarized in Figure 2 suggest that through narration actors in the anti-corruption field make sense of a parallel existence and interaction (middle box at t_1) of substantively compliant actors mainly originating from a low corruption-risk space (left box at t_1) and noncompliant actors in higher corruption-risk spaces (right box at t_1) to be conducive for goal achievement (at t_x) in complex institutional contexts. We were able to identify that actors develop a shared understanding about geographic contingencies requiring some actors to be compliant everywhere, other actors to be compliant somewhere and still others (so far) inevitably to be compliant nowhere.

In particular, Western and Asian actors make sense of uniform substantive compliance as the only option for MNCs originating in the Western hemisphere. Actors attribute this lack of choice for Western MNCs to noncompliance of these actors in the past, which led to major scandals and a radical rethinking (captured by the ‘complying with the rules’ story element in Table 2) (see also Schembera & Scherer, 2014). Having learnt their lessons the hard way, they now proclaim: “Only clean business is Siemens business - everywhere - everybody - every time...“ (Peter Löscher, formerly CEO at Siemens). In contrast, local actors are only meant to be compliant when dealing with Western MNCs: “So, when they work with us, they have to follow our principles. But when they work with others, they don’t have those standards in place“ (Finance Director, Shell Philippines). Importantly, our findings suggest that such a coexistence of different degrees of compliance is possible because actors tend to have an implicitly shared understanding about what compliance or corruption means (“… in practice, we all may agree that China’s corruption problem is more serious than Germany’s.“ Chinese compliance officer at Daimler Greater China) without being able to clearly define what practices in which context actually count as noncompliant (“is it culture that they take it, … or is it really not?“ General Secretary, TI Malaysia). To remedy the theorized compliance-achievement tradeoff, previous studies suggest creating niche institutions that explicitly define the conditions of noncompliance and compliance (Timmermans & Epstein, 2010; Wijen, 2014; Young, 2012). In contrast, considering the apparent implicit understanding about who, where, when and why needs to comply as paraphrased in the quotes above, we suggest that such explicit context-specific definitions are hardly feasible on objectivist grounds.

Our findings suggest that without the presence of globally uniform rules and substantive compliers acting as institutional entrepreneurs in the first place, non- or partially complying actors would lack the guidance and willingness to become compliant. As one interviewee put it: “Otherwise, we would be talking to companies: How do we fulfill compliance?” This interaction between compliant and noncompliant actors appears thus as a necessary means to ultimately achieve global anti-corruption goals, which we capture in the narrative ‘noncompliance as means for achievement’ (see Table 3 for further evidence). Not without a reason, the Integrity Initiative in the Philippines has chosen the name SHINE project for their anti-corruption efforts. The interview partner explained that the project is meant to use institutional entrepreneurs like Siemens to 'shine' on other potentially less compliant or transparent actors. This metaphor is used by both compliant corporate actors and non-corporate actors and shows us how these actors make sense of remedying the compliance barriers in opaque fields as identified in the means-ends decoupling debate: lacking attention, lacking knowledge and lacking motivation (Wijen, 2014, p. 306). Through public events, compliance clauses in contracts with suppliers or collective actions, compliant actors like Siemens reduce behavioral invisibility. They thereby remedy a further compliance barrier and driver of opacity in complex global environments (Jiang & Bansal, 2003; O'Rourke, 2007; Spar & La Mure, 2003).

The coexistence of different degrees of compliance suggested here further contributes to the selective coupling literature within the policy-practice decoupling perspective (Pache & Santos, 2013). While these scholars have addressed the coexistence of selective coupling (decoupling and compromising) within one 'hybrid' organization, we extend the level of analysis by examining the coexistence of selective coupling across geographic spaces. Finally, our contribution to perceive compliance and (transitional) noncompliance as complementary instead of exclusionary approaches further supports findings from other issue areas, including labor conditions in global supply chains. Authors in this field similarly highlight the benefits of joint problem solving, information exchange and best practice diffusion among actors at different stages of compliance implementation (Locke, Amengual, & Mangla, 2009).

Incorporating time: Ideational dynamics in global goal achievement

We further contribute to the decoupling literature by stressing that a shared space-contingent understanding about compliance and noncompliance can only be maintained as long as actors perceive progress toward goal achievement over time. The means-ends debate (Bromley & Powell, 2012; Wijen, 2014), earlier studies within the policy-practice debate (Meyer & Rowan, 1977) and several studies on sustainability standardization in general (Baron & Lyon, 2012; Campbell, 2007; King, Prado, & Rivera, 2012) take a predominantly static perspective on social reality. These studies thus neglect the powerful influence of 'ideational dynamics' on behavioral change and tangible outcomes scholars recently highlighted (Christensen, Morsing, & Thyssen, 2013; Haack et al., 2012; Tilcsik, 2010). 'Ideational dynamics' refers to a recently theorized process, according to which language may eventually become performative of certain 'positive' developments in the field of CSR and beyond (Christensen et al., 2013). The underlying mechanism of this process is referred to as 'aspirational talk', i.e. an organization's publicly expressed commitment to reduce the gap between formal structures and actual activities. More precisely, a process of 'moral entrapment' and 'creeping commitment' may take place after organizations have publicly committed to moral values; such organizations may soon start to realize that they can actually be taken to task if they do not follow-up on their promises and seek to avoid losing their legitimacy (Haack et al., 2012). In accordance with the psychological quest to avoid 'cognitive' and 'emotional dissonance', organizational actors adjust self-perceptions and interpretations of CSR to the "attitudes first taken by significant others toward it" (Berger & Luckmann, 1967, p. 132).

Incorporating such dynamics in sensemaking processes has proven fruitful in previous studies; for example, analyzing the context of MNC internationalization, Haley and Boje (2014, p. 1128) noted precisely that "metaphors unravel when faced with paradox". Similarly, the analysis of narratives in our study turned out to be crucial for putting the postulated tradeoff in the debate about compliance and achievement in a more comprehensive perspective. Static objectivist perspectives on compliance and goal achievement conclude that socio-environmental governance schemes such as sustainability standards need to focus on compliance (right away), as otherwise goals cannot be achieved due to symbolic adoption by firms (Wijen, 2014, p. 306) (see also Baron & Lyon, 2012; Campbell, 2007; King et al., 2012). Taking a dynamic social-constructionist perspective in our analysis revealed that anti-corruption actors of different type and geographical origin care less about *how*, i.e. in what state of compliance or noncompliance, actors ‘get on board’, but much more on the fact *that* they get on board at all. Only then these actors perceive the opportunity for a joint navigation toward reciprocally typified goals. The focus is consequently much more on the journey than on the status quo or ultimate destination. That is, potential tradeoffs in the current state become negligible, if perceived as such at all, when actors focus on a progressive discursively typified understanding of compliance and goal achievement. Different types of actors used metaphors like flowerbeds, planted seeds or a jointly navigated big ocean liner, which help them understand that the collective end of fighting corruption is a moving target and organizational means for fighting corruption may only materialize along this process, which in turn will lead to a reinterpretation of the collective end. We thereby expand insights from studies on the MNC internationalization processes, wherein the coexistence of contradictory stories spanning time and space have been identified (Haley & Boje, 2014), to the context of compliance and achievement in global socio-environmental governance.

It is to note, however, that we do not perceive the interviewed actors as being overly optimistic or simply naïve. We provided first anecdotal evidence that the metaphors used by actors are in some way reflected in observable and material anti-corruption outcomes. Positive participant statistics over time in local integrity initiatives financed or inspired by Siemens, personnel exchange in key government positions or Shell’s success in enhancing tax measures in the Philippines are a first small set of exemplary material developments. So indeed, we suggest that the logic of confidence and good faith, which Meyer and Rowan (1977) have conceptualized as a necessary complement to policy-practice decoupling to secure organizational legitimacy, has shifted to means-ends decoupling. However, we should also be wary of the potential negative consequences in case actors no longer are able to identify certain cues of material developments which would render the confidence and good faith logic together with related ideational dynamics obsolete.

Synthesis. In sum, the integrative view on decoupling combines elements of both the classic and the instrumental view, most notably dynamic considerations in recent literature on the former and the global (multi-spatial) perspective of the latter, and highlights the role of narration and meaning creation in this global (de)coupling context. Our results from the analysis of narratives in the anti-corruption field therefore suggest understanding gaps between compliance and achievement, and between policies and practices, as moving targets that are subject to sensemaking processes and meaning negotiation. We highlighted how actors make sense about compliance and achievement through narration, e.g. by using stories and metaphors of collectively navigating a big ocean liner or planting seeds and referring to particular historical and/or geographic contingencies. Haack and Schoeneborn (2015) have recently suggested to include ideational dynamics in the means-ends conceptualization of Wijen (2014) and suggested that "[i]t is ultimately by "means" of policy-practice decoupling that the "end" of "effective" socio-environmental governance can be achieved." Our dual focus on sensemaking across time and space taken here has helped us to further add to this debate: In our integrative view, it is ultimately by 'means' of *interaction between policy-practice coupling and policy-practice decoupling* that 'effective' socio-environmental governance can be achieved.

Implications for organizational corruption and CSR

Our third contribution is of relevance to scholars and practitioners in the field of anti-corruption and CSR alike. On the one hand, we contribute to anti-corruption literature that focused on an objectivist perspective on the phenomenon. Given the collective nature of the corruption problem involving public and private actors with heterogeneous and sometimes contradictory interests (Kingston, 2008; Pieth, 2012a), previous corruption literature has also focused on collective action as a means to curbing corruption (Petkoski, Warren, & Laufer, 2009; Pieth, 2012a). While these studies were mostly restricted to an objectivist perspective on corruption treating the issue predominantly as a rational choice problem (see also Ostrom, 1998), we contribute to theorizing on collective action by highlighting the role of creating a flexible and discursively typified meaning of corruption and compliance through the discursive elements of collective actions. Signing a letter of joint commitment may be perceived as a mere rational choice of a specific actor aiming to maximize its business opportunities in the first place, while the ideational dynamics potentially succeeding such a signature having laid a first common basis for talking to each other have been neglected in this literature.

On the other hand, our study contributes to recent narration-oriented (social-constructionist) anti-corruption studies. By demonstrating that the meaning of corruption may vary with respect to the geographic context, our findings support the findings of Gephart (2014) suggesting a contested meaning of anti-corruption and further contribute to this literature by outlining how the construction of anti-corruption meaning may develop over time. By clarifying that the mainstream notion of a universal approach of anti-corruption is unlikely to achieve desired goals, our research is in line with recent analyses of narratives on the construction of success in anti-corruption activity in Georgia (Di Puppo, 2014). We further contribute to the identified search for a mutual validation of different understandings of success by showing that the creation of a mutual understanding of anti-corruption goal achievements is shaped by considerations of both space and time (see Figure 2).

Like corruption, CSR in general seems to be a moving and contested concept (Lockett, Moon, & Visser, 2006; Okoye, 2009), whose ideals, standards and targets are continuously shaped through discourse and interactions among legislators, corporations and other actors in the field (Gilbert, Rasche, & Waddock, 2011; Scherer & Palazzo, 2011). Accordingly, our findings suggest that the central arguments in the recent CSR literature on ideational dynamics are also applicable to the specific issue of fighting corruption. The mechanisms of 'aspirational talk' with regard to CSR in general (Christensen et al., 2013) and those of 'moral entrapment' and ‘creeping commitment’ as identified in the context of environmental CSR issues (Haack et al., 2012) also appear valid in the specific context of fighting corruption.

Surprisingly though, the development of narratives in the anti-corruption field faces a certain time lag compared to narration dynamics in the environmental realm. Still a great amount of story elements in our study focused on the ‘getting on board’ metaphor, whereas they tend to refer to commitment mostly in a prospective view. In contrast, in the environmental domain narratives of different actors may have already shifted from ‘joining the club’ toward ‘commitment’ (Haack et al., 2012). This potential time lag in the context of corruption vis-à-vis other CSR issues is further supported by the observation that the largest voluntary CSR initiative worldwide, the UN Global Compact, has added an anti-corruption principle only four years after CSR issues on the natural environment, human rights and labor norms had been in place. Even more, the interviewed program manager at ACN as well as the president of the local Singapore Compact have highlighted that corruption has only recently been included in public CSR debates.

The other way round, our findings on anti-corruption may contribute to recent studies on ideational CSR dynamics by highlighting the significant role of interactions and collective actions not only between different types of actors but also between the same types of actors. While Haack et al. (2012) focused on the reciprocal creation of meaning between banks and NGOs, future research is needed to explore ideational dynamics between e.g. compliant and noncompliant corporate actors, their mutual interests and reasoning involved. Such studies tend to suggest that the different use of narratives is mainly attributable to the type of actor, e.g. “the failure narrative was solely told by NGOs” (Haack et al., 2012, p. 827). In contrast, we suggest that primarily the point of reference, e.g. geographic or firm-specific context, explains the use of a certain narrative. Rather than NGOs solely referring to non-achievement and private actors referring to compliance, actors are flexible to incorporate different perspectives and refer to a specific point of view depending on the institutional context. This flexibility embodied in single actors to selectively apply a certain narrative dependent on the underlying context – together with the incorporation of dynamics over time – explains how actors can make sense of both compliance and noncompliance in the complex context of transnational corruption.

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Table 1: Overview of data

Organization Type	Organization Name	Representative	Data Type
Companies	Siemens, Asia Pacific	Senior compliance	Personal interview
	Siemens, Collective Action	Vice president compliance	Telephone interview, 3 Integrity Initiative annual reports, Collective Action guide (with World Bank and others)
	Siemens, HQ	Senior compliance	2 personal interviews, Telephone interview, 5 Annual & Sustain. Reports, Compliance System publication
	Siemens, Philippines	Senior sales	Telephone interview
	Daimler, Greater China Ltd.	1 local & 1 international senior compliance	Telephone interview
	Daimler, HQ	1 senior & 1 mid-level compliance	2 personal interviews
	Shell, Philippines	Finance director	Personal interview, presentation slides
	SMART Technical Services Co., Myanmar	General manager	Workshop presentation, presentation slides
Chambers, regional networks & industry initiatives	Singapore Compact (Local UNGC network)	Senior	Personal interview
	ASEAN CSR Network (ACN)	2 program directors	3 personal interviews, publication
	Integrity Initiative, Philippines	1 from MBC & 1 from ECCP	Personal interview, integrity compliance handbook
	Indonesian Chamber of Commerce and Industry, (KADIN BSD)	Senior	Personal interview, follow-up email correspondence
Government	Association of Southeast Asian Nations (ASEAN)	Former Indonesian Ambassador to ASEAN	Personal interview
	CPIB, Singapore (Corrupt Practices Investigation Bureau)	Former senior rep.	Short conversation, workshop pres.
Non- and inter-governmental organizations	UNODC (UN Office on Drugs and Crime), Southeast Asia and the Pacific	Senior	Personal interview, workshop pres.
	UNGC (Global Compact), Transparency & Anti-Corruption	Senior	Short conversation, workshop pres.
	UNIDO (Industrial Development Organization), Vietnam	Senior	Several short conversations
	Transparency International (TI) Philippines	Executive director	Personal interview
	TI Malaysia	2 senior	Personal interview
	IDEAS (Institute for Democracy and Economic Affairs), Malaysia	Manager, pol. economy & governance unit	Personal interview, publication
	Thai Listed Companies Association	President	Personal interview
	TI Germany, Berlin	Former rep. (Integrity Pacts)	Telephone interview, brochure
	Singapore Compact (UNGC network)	Executive director	2 personal interviews
Academia	Uni. of Nottingham, Malaysia campus	Professor	Email correspondence
	HTW Chur	Professor	Personal interview

Table 2: Sample quotes of selected narratives and story elements

Narratives & *Surface Stories*	**Story elements**	**Sample quotes**
Compliance despite non-achievement		
Substantive compliance	Complying with the rules	"The public prosecutor's office was investigating at our premises and, as a listed company at the New York Stock Exchange, of course the SEC as well. There was no choice." (Siemens HQ, Switzerland)
		"[H]it by a lot of violation sanctions already, your controls have already matured to the point that you cannot afford any grey area in your policies." (ASEAN CSR Network (ACN))
	Identifying clean business	"Our intention is basically to identify good partners." (Siemens, ASEAN)
		"… we've hardly been, or not at all, into government entities. So mostly, the entities that we have been into … are mostly private firms, so it makes it easier for us (Siemens, Philippines)
	Yes we can	"We are a known brand. So yes, you could say it's a market power, because Shell is a big player and we are known not to go into any under-the-table deals. (...) So, when we say no, they don't insist. And we are still able to go through with our partners." (Shell, Philippines)
No level playing field	Persistence of corruption and intransparent business elsewhere	"[W]e guys, we need to play fair, you local guys are not playing fair" (ACN)
		"There are differences in the understanding of corruption and the tolerance level. … There are a sort of activities that are just - well - accepted." (Daimler, Greater China, referring to China)
		"… at least the majority of European companies are doing their level best, on the same level. But you cannot say the same for the Koreans and the Japanese. We cannot see the same. (Siemens, ASEAN)
	Ambiguity of what actually counts as corruption	„Do they think it is a bribe at all? … I think a lot of people will say, no, I don't give bribes, but I do look after my clients … And that's the question about how is it seen locally versus internationally." (TI, Malaysia)
		"How do you differentiate between professional activity and a personal activity?" (Siemens, ASEAN)
		"Let's go into USA, America. It's very common that they get tips. If you want to have a nice dining table, you tip. If tips are a form of corruption, of petty corruption, how do you define that? … And what about the lobbyist system in America? … the difficulty that people have in actually uncovering who has given how much to which party when is symptomatic of the actual lack of transparency…" (TI, Malaysia)
		"He [the government official] has not forced us down our throat. He was basically saying 'please use … there is this partner, I recommend this person'. As long as he doesn't put it to our head saying 'if you don't use him, you can't do this', I have no issues." (Siemens, ASEAN)
	Managing perception	"It's a game of perception. … certain governments are very good with containing such publicity and perception. They put in processes, they put in controls, but it doesn't mean there are no bribery cases in Singapore." (Siemens, ASEAN)

	Complying with the rules but violating the principles	"So you can work with the letter of the law, but leave out the spirit. So you can be 100% compliant, but no system is 100% perfect. So you can deal with all the rules, and you can still bypass them at key points, and get what you want. And that is the difference between compliance and integrity." (Business Integrity Programme Manager, TI Malaysia)
Noncompliance as means for achievement		
Acknowledging heterogeneity	Highlighting others' particularities	" … the agreement was [that] there is no ranking and in a way it also makes sense, because you cannot really compare apples and oranges, countries with very different backgrounds, … very different contexts." (UNODC, ASEAN)
		"I think at some circumstances because we are a big player because the problem with the smaller players is that ... if they say no now, there will be some repercussions later on, like things will be delayed or a permit will not be issued right away because the official might take his time. So that is still possible." (Shell, Philippines)
	Perspective-taking	"It's about the person who's not earning so much and sees now someone's giving me more. What would I do? I take that. So there's so many different dimensions to it. Singapore government, basically, their administers are paid as much as a CEO of a company is paid." (Siemens, ASEAN)
Reaching out	Getting others on board first	"[O]ur first agenda is usually ... we get them on board, because once they do that ... then we have a clear framework to work with them. (...) to get them on board you need to use a system they are all open to." (UNODC, ASEAN)
		"We have to go across the board. The more the merrier, my friend." (TI, Malaysia)
	Gaining momentum and conditioning people's minds	"Once they have actually ratified, they have obligations. (...) it also creates a momentum in countries to do it, because sometimes even the national authorities may want to do it, but they may not have the momentum or the support. ..." (UNODC, ASEAN)
		"It's the better approach actually (to) make people go back to their values, reflect on them ... It's all ethical issues. These are not legal issues." (Integrity Initiative, Philippines)
Collective Action		
Educating	Leading by example	"Some of these experiences and lessons learnt, … we also want to share with our JVs." (Daimler, Greater China)
		"I gave our contractors our hotline. I told them 'if you think there is something you need to report, use this hotline or get in touch with your contract holder. … like I said earlier, be the example ..." (Shell, Philippines)
		"This is really unique in the Philippines. It's the private sector trying to change the landscape." (Integrity Initiative, Philippines)
	Willingness to learn	"In all areas there is a learning requirement. (…) the advanced companies, we are counting on these guys to really help us spread the word. (...) because of Siemens, we were able to access a resource that's critical in fueling our efforts (Integrity Initiative, Philippines)
		"He (Jericho Petilla, energy secretary, Philippines) says 'we need the support from various sectors, in this case Siemens'. And that I believe is one form of a vision also for a government to improve." (Siemens, ASEAN)
Leveling the	Uniting actors	"In this world, we are now 173 ships, (but) nowadays, we have to be one hundred and seventy three cabins in a big

playing field	and their thinking	liner. And this is where we are working together. ... 173 countries moving around the ocean. We are really lost. (...) we can no longer become a ship, we are 173 cabins in one big ocean liner working together.” (TI, Malaysia)
	Finding common grounds	‘It is like a flowerbed, where it is uncertain which bulbs will bear fruit’ (Siemens HQ, Collective Action) “This is where we come in. We try to expose the deal in such a way that it is a level playing field. That’s why we are important here.“ (Integrity Initiative, Philippines) “We engaged the department of finance in coming up with a tax regulation saying that in order to prevent smuggling, ... why don’t you impose tax on all products and then if the company is able to prove that they re-exported it, then they get a refund on their tax.” (Shell, Philippines)
Progress as achievement		
Progressing step-by-step	Allowing for time to progress (highlighting dynamics)	“These [collective action] processes take a lot of time” (Siemens HQ, Collective Action) “You are going to take baby steps with this topic.“ (Siemens, Philippines) “Most of us want to see success overnight, but you would not get this success of fighting corruption overnight. It takes some time“. (TI, Malaysia)
	Bearing fruit	“No, actually his administration is bearing fruit” (Integrity Initiative, Philippines, referring to president Aquino) „ ... from where it was 10 years ago to where it is [now], there is change.“ (Siemens, ASEAN) “[T]he global discourse has changed a lot in the past 20 years. Corruption has become an issue that is discussed globally. There is much more awareness about it. (...) it’s not a taboo that it used to be.“ (UNODC, ASEAN)
	Small steps are large steps	“These changes happen in very small cycles but they are considered big changes.“ (Siemens, ASEAN)
Open-ended process	Ongoing effort demanding constant recalibration	“It means that you have to continuously do things. It’s not only about the laws you have to pass. You have to have systems in place. You have to have prevention systems in place. You have to be implementing those laws. You need to have institutions, which are capable of implementing all these normative frameworks. They need to have the capacity to do that and so on. (...) And these reforms I think it’s very naïve to think that you can pass these laws, and you can have an anti-corruption agency and everything, and you solved the corruption problem.” (UNODC, ASEAN) “… the weakness is that people take advantages. Or, it is that they find more loopholes existing in law and regulation. So you come back to the square one.” (TI, Malaysia) “I think it is very difficult in the area of anti-corruption to say that ever about any country: ... you are perfectly implementing“ (UNODC, ASEAN).
	Gradually raising the bar	“Now, what ... [we] want to do with the ASEAN CSR Network is to create a regional network gradually; first with countries which are ready, but then bring all of them. And that has two purposes. One is to create another level of commitment among companies from the region …, to bring them all on the same level with their compliance system, to help coordinate, help exchange. But on the other hand, I also hope that they could bring more pressure on their governments, demanding actions from the government.“ (ACN)

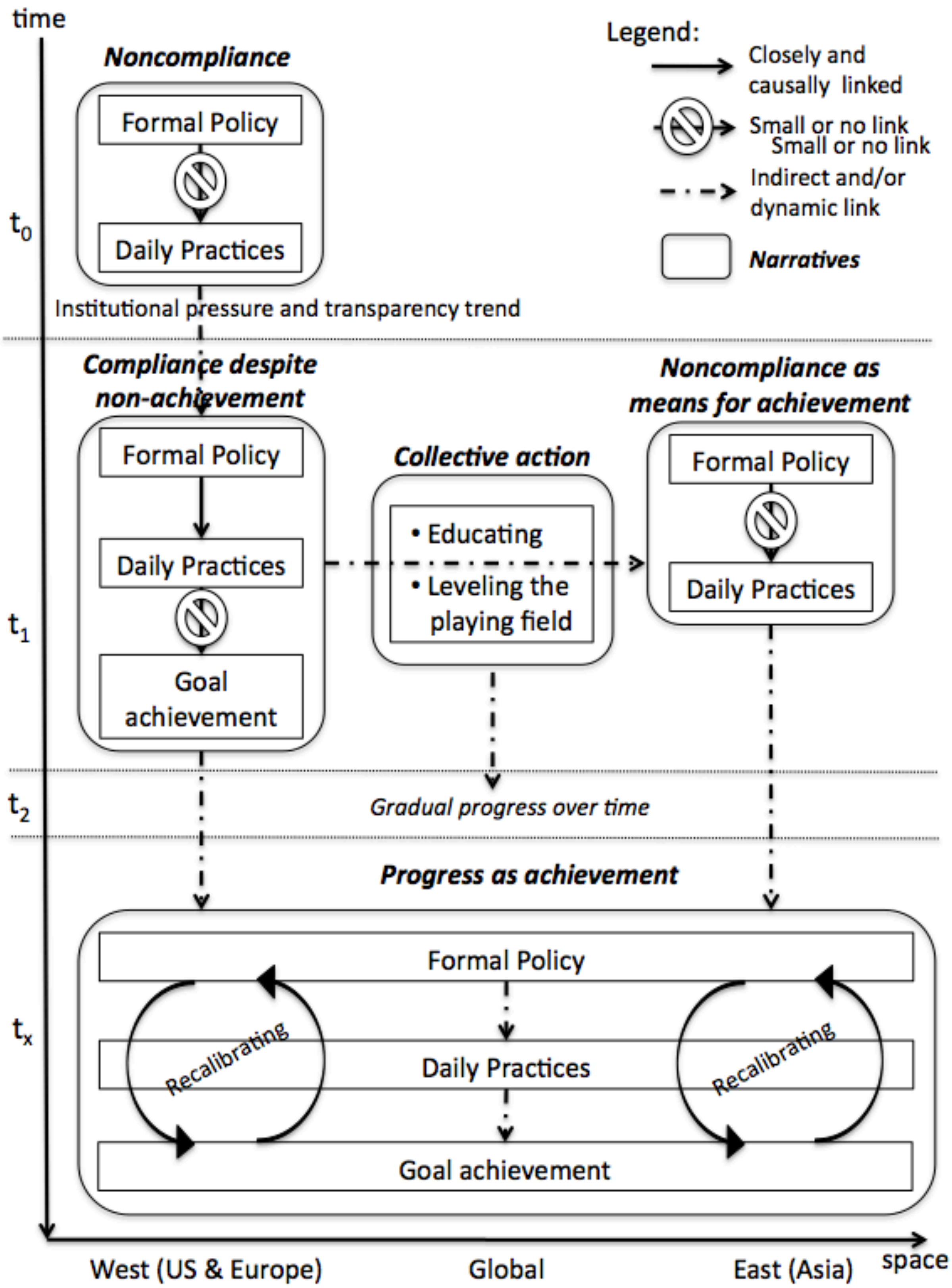
Table 3: Three theoretical perspectives on decoupling

	The classic view	The instrumental view	The integrative view
Decoupling description	Gap between policy and practice (symbolic adoption)	Gap between means and ends (symbolic implementation)	Gap as moving target
Main focus	(Non)compliance	(Non-)achievement	Compliance and achievement
Research interest	Remedying policy-practice decoupling	Remedying means-ends decoupling	Remedying policy-practice and means-ends decoupling
Central assumptions	Outside inspection negligible; logic of confidence and good faith	Transparency and accountability trend	Meaning of compliance and achievement is reciprocally typified
Actors	Passively responsive	Actively responsive	Interactive
Space	Local (mono-spatial)	Global	Multi-spatial
Time	Formerly static, increasingly dynamic	Mostly static	Dynamic
Epistemology	Tendency toward objectivist stance	Mostly objectivist	Material and ideational (social-constructionist)
Exemplary references	Meyer & Rowan, 1977, Boxenbaum & Jonsson, 2008	Bromley & Powell, 2012; Wijen, 2014	Christensen, Morsing & Thyssen, 2013; Haack, Schoeneborn & Wickert, 2012

Figure 1: Data structure

Narrative	Surface Story	Story Elements	Focus
Noncompliance (Retrospect)	*Symbolic adoption*	Insufficient anti-corruption processes	HQ
		Lacking awareness and/or wrong mindset	HQ
Compliance despite non-achievement	*Substantive compliance*	Complying with the rules	HQ
		Identifying clean business	HQ
		Yes we can	HQ
	No level playing field	Limiting the impact or responsibility of individual actors	HQ & sub
		Persistence of corruption and intransparent business elsewhere	Sub
		Ambiguity of what actually counts as corruption	Global
		Managing perception	Global
		Complying with the rules but violating the principles	HQ
Noncompliance as means for achievement	*Acknowledging heterogeneity*	Highlighting others' particularities	Sub
		Perspective-taking	Sub
	Reaching out	Getting others on board first	Sub
		Gaining momentum and conditioning people's minds	Sub
Collective Action	*Educating*	Leading by example	HQ
		Willingness to learn	Sub
	Leveling the playing field	Uniting actors and their thinking	Global
		Finding common grounds	Global
Progress as achievement	*Progressing step-by-step*	Allowing for time to progress (highlighting dynamics)	Global
		Bearing fruit	Global
		Small steps are large steps	Global
	Open-ended process	Ongoing effort demanding constant re-calibration	Global
		Gradually raising the bar	Global

Figure 2: Coupling process model – From noncompliance to achievement



About the Author

Stefan Schembera

Date of Birth	7 May 1984, Leonberg, Germany
Citizenship	German

Academic Curriculum

07/2012 – 07/2015	**SNF Project Assistant and PhD Candidate** University of Zurich, Department of Business Administration, Chair of Foundations of Business Administration and Theories of the Firm
01/2013 – 04/2013	Research stay, University of Sydney, Australia Discipline of Work and Organizational Studies
06/2010 – 07/2013	Project Assistant, Accreditation, University of Zurich, Faculty of Economics, Business Administration and IT
04/2009 – 04/2010	Student Research Assistant University of Tübingen, Chair for Personnel and Organization, School of Business and Economics
09/2009 – 12/2009	Exchange student, Jean Moulin - Lyon 3 University, France Institut d'Administration des Entreprises (IAE)
09/2007 – 04/2008	Exchange student, Queen's University, Kingston, Canada School of Business
10/2004 – 04/2010	Diploma in Business Administration, University of Tübingen

Work Experience / Qualifications

Since 03/2012	Research Analyst, BHP Brugger and Partners Consulting, Zurich
08/2008 – 11/2008	Internship, Corporate Social Responsibility, Ernst & Young AG, Stuttgart
03/2007 – 04/2007	Internship, UNICEF Deutschland, Cologne